



3 1761 03616 3442

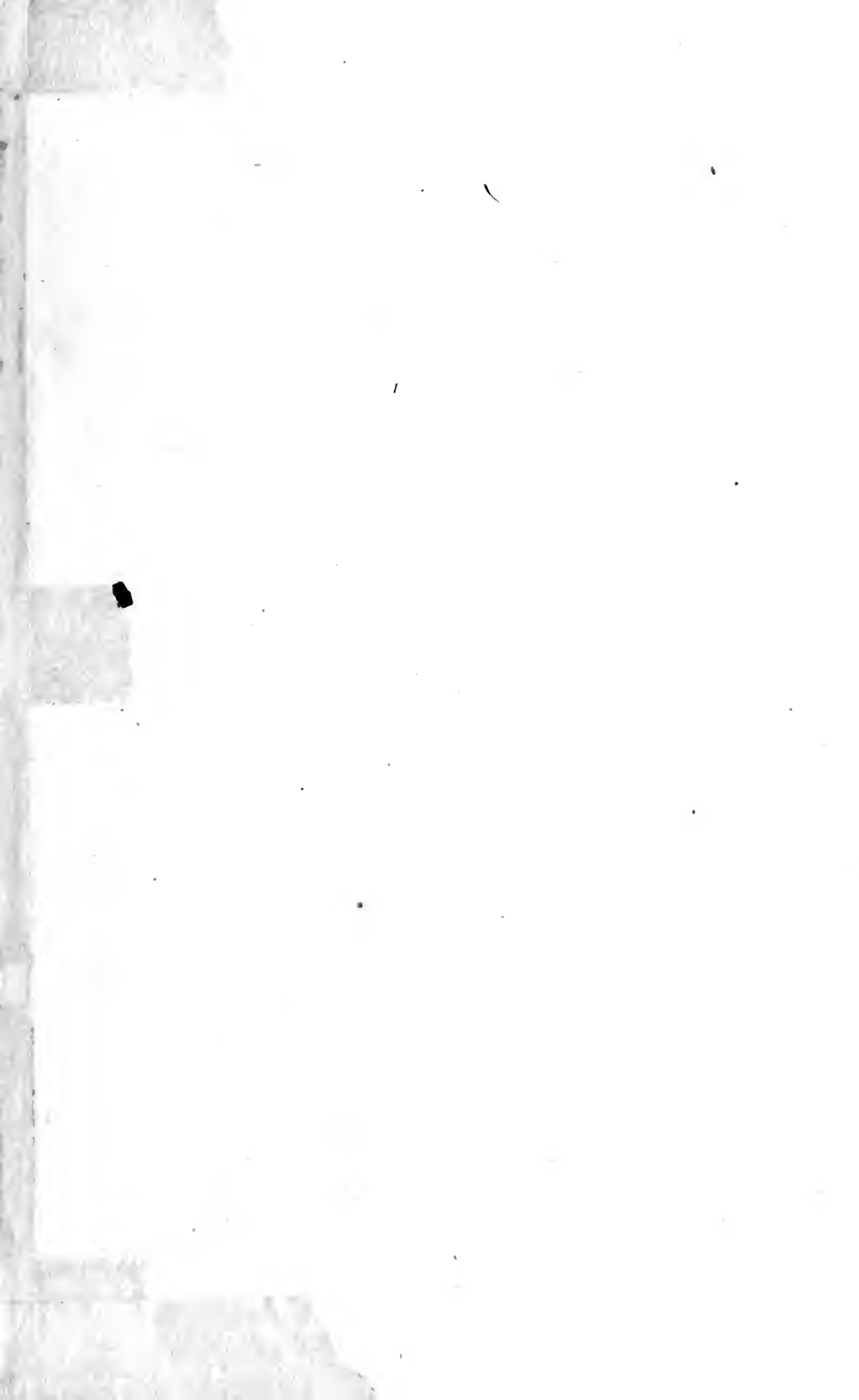
HG
938
J73
1832
c.1
ROBARTS

1914

1914 9-2

copy of the 1st in my box

(6 copies in all)



AN
ANALYSIS
AND
HISTORY
OF
THE CURRENCY QUESTION;

TOGETHER
WITH AN ACCOUNT OF THE ORIGIN AND GROWTH OF
JOINT STOCK BANKING IN ENGLAND.

COMPRISED IN
A BRIEF MEMOIR OF THE WRITER'S CONNEXION
WITH THESE SUBJECTS.

BY
Thomas
T. JOPLIN.

LONDON :
JAMES RIDGWAY, PICCADILLY.

M.DCCC.XXXII.

409230
27.1.43

ELECTRONIC VERSION
AVAILABLE

04000294

MTL-402A

Tilling, Printer, Chelsea.

P R E F A C E.

IN dramatic composition, the interest of the Piece is frequently increased by what is termed, an under plot. The inferior personages of the drama have some little affairs of their own, in the pursuit of which they aid the development of the chief story, and increase the amusement, by relieving the attention without distracting it.

What is thus found useful in a play, may not be altogether without its value in a Book. Currency is a very dry subject, and it may, perhaps, be relieved, in some degree, by being interwoven in a personal narrative.

To the plan of the work, less objection, it is presumed, will also be entertained, when it is

PREFACE.

perceived, that the illustration of a principle is obtained by it ; and the writer trusts, that it will not be found to exhibit more of egotism than consistent with the end proposed. He is afraid, however, that much indulgence, if not for the plan of the work, will be required for its many imperfections.

It may also be observed, that his former works have been generally printed, and circulated at his own expence. But his publisher has ventured to publish this at his own risk, though on conditions, which, he regrets, will prevent him from pursuing his usual practice, in this particular instance.

CONTENTS.

CHAPTER I.

INTRODUCTORY.

Page.

<i>The Author's Work on Banking, and the circumstances that gave rise to it.—The Subject taken up in 1822 by Ministers, and abandoned.—The Piracy of Ministers reprobated.—The Piracy of the Bullion Committee pointed out.—The Currency Question.—Objects of the present Work</i>	1
--	---

CHAPTER II.

<i>History of the Currency Question.—Principles of Smith, relative to our Currency.—Conditions on which he considered that the Trade of Banking might be left perfectly free.—Restriction on Cash Payments.—The principles adopted and put forth by the Bullion Committee.—The Doctrine of the Regulating Power of the Bank of England.—The Doctrine, that Payment in Cash, by the Bank of England alone, was sufficient.—Differences between the Bullion Committee and Smith</i>	17
---	----

CHAPTER III.

<i>Mr. Ricardo's Plan for an economical and secure Currency.—The Plan adopted by Parliament in 1819.—The Reports of the Committees of both Houses upon it.—Mr. Peel's Bill compelled both the return to Cash Payments, and the withdrawal of the small Notes.—The latter effect of the Bill, unknown to, and unsanctioned by Parliament, and inconsistent with the principles and recommendations of the two Committees</i>	44
--	----

CHAPTER IV.

<i>The View of the Agricultural Distress in 1822 by Mr. Attwood, and those who acted with him.—Sir James Graham's Work on Corn and Currency</i>	66
---	----

CHAPTER V.

	Page.
<i>The Country Bank circulation governs prices, and not that of the Bank of England.—The Error of the Lords Committee on Cash Payments, in 1819.—The assumed influence of the Bank of England over the Currency, disproved.—The influence of capital, and its effects upon the Country Bank circulation explained.—The assumed power of the Bank of England, in regulating the issues of the Country Banks, in reality a means of facilitating fluctuation.—The Country Banks could buy up the whole National Debt with their Notes, upon the most legitimate principles of Country Banking</i>	84

CHAPTER VI.

<i>A History of the Fluctuations in Prices since the war, and the cause of them.—Corn less liable to Fluctuations from supply than other commodities.—Mr. Peel's Bill, though not the primary, was an incidental cause of the decline of prices that followed it</i>	122
--	-----

CHAPTER VII.

<i>Notice of a Work of mine, on Political Economy, which failed.—Plan for a self regulating system of Currency, which would prevent fluctuations in prices.—The fluctuations in the Money Market of London, and prices of the Funds, caused by the duplicate property of our Currency.—The difficult situation in which the Directors of the Bank of England are placed.—The Plan proposed, a remedy for these fluctuations in the Money Market, as well as for fluctuations in prices</i>	141
--	-----

CHAPTER VIII.

<i>My Plan of Currency proposed to Mr. Ricardo.—His Plan for a National Bank taken from it, without acknowledgment.—The latter circumstance animadverted upon.—Rights of Authors.—The infringement of those Rights by Ministers, Committees of Parliament, &c. fraudulent,</i>	
--	--

and the moral example pernicious.—Sir Thomas Lethbridge.—Mr. Matthias Attwood, and Sir James Graham 178

CHAPTER IX.

The Panic.—The Cause of it.—The History of its growth.—The Opinions of Ministers, the Bank Directors, and the Public, as to the cause which gave rise to it.—Sudden change in the measures of the Bank, by which the Panic was stopped.—What gave rise to this change, and the share the Author had in producing it.—The subject proper for enquiry by the House of Commons.—The Author may, perhaps, bring the subject before the House, by Petition 196

CHAPTER X.

Measures introduced by Ministers in consequence of the Panic.—New Doctrines of the Ministers relative to the Currency.—Source of them.—The withdrawal of the Notes of Country Banks under £5.—Ministerial Arguments in favour of a Gold Currency.—The Measure calculated to create the effect it was intended to cure.—Views of the Ministers proper for enquiry, but not for Legislation.—Ministers could not have got wrong by an observance of the laws of literary integrity 254

CHAPTER XI.

The Piracy of the Quarterly Review.—The History of the growth of Joint Stock Banking in England 292

CHAPTER XII.

Measures recommended for immediate consideration.—To establish Joint Stock Banks.—To take the circulation of the Bank of England out of its hands.—To investigate facts relative to Corn and Currency.—To avoid precipitancy on the subject of the Corn Laws 323

TABLES AND DOCUMENTS

INTERSPERSED IN THE WORK.

TABLE, No. I.—Page 89.

Annual demand for Stamps by the Country Banks, and price of Wheat, from 1810 to 1825, inclusive.

TABLE, No. II.—Page 90.

Circulation of Bank of England, and price of Wheat, from 1811 to 1821, inclusive.

TABLE, No. III.—Page 92.

Proportion of Notes of different values circulated by Country Banks.

TABLE, No. IV.—Page 93.

Proportion of Notes of different values circulated by the Bank of England.

TABLE, No. V.—Page 99.

Comparative Statement of the demand for Stamps by the Country Banks, and the Bank of England circulation from 1810 to 1825, inclusive.

DOCUMENTS.

PAGE 256.

Letter of Lord Liverpool, and the Chancellor of the Exchequer, to the Bank of England, in 1826, explaining the views of Government relative to the Panic, and the remedies proposed for it.

AN ANALYSIS,

&c.

CHAPTER I.

INTRODUCTORY.

The Author's Work on Banking, and the circumstances that gave rise to it.—The Subject taken up in 1822 by Ministers, and abandoned.—The Piracy of Ministers reprobated.—The Piracy of the Bullion Committee pointed out.—The Currency Question.—Objects of the present Work.

IN February, 1822, I published a Pamphlet,* calling upon the inhabitants of my native place,† and two or three neighbouring towns, to form a Joint Stock Bank, with half a million of capital, and take steps to obtain an alteration of the Bank of England's Charter. This, I apprehend, was the

* “ An Essay on the general principles and present practice of Banking in England and Scotland, with observations upon the justice and policy of an immediate alteration in the Charter of the Bank of England, and the measures to be pursued in order to effect it.”

† Newcastle upon Tyne.

first Pamphlet, or publication of any kind, in which the nature of the Scotch System of Banking was properly explained. But four or five years before there was a panic in the town; all the Banks, four in number, were in discredit with the public; and there was a run upon them, which was, in a great measure, allayed by the publication of a paper by the respectable inhabitants, pledging themselves to take the notes of all, or any of them, in payment to any amount. This pledge, to which I was a party, was one which might have ruined many, and injured most of those who gave it: for a single Bank had failed in the same town, not many years before, indebted a million sterling, which did not pay more than 4s. in the pound, although it enjoyed the unlimited confidence of the public up to the period of its failure.

People frequently act in haste, and repent at leisure. In this case, there was no cause for repentance. But it naturally led to reflection, and it appeared to me, that instead of coming forward in times of such danger, and blindly entering into an obligation, so unlimited, in favour of Banks, which, for any thing that could be possibly known to the contrary, might be insolvent, it would be better, for each party, to become surety for his own Bankers, for a specific sum, not only in periods of difficulty, but at all times. The parties, thus coming forward, being allowed to nominate a Committee, to communicate with the Bankers, from time to time, and ascertain, by investigation,

that their Bank was safe, and that there was no hazard in continuing surety for it. This, at a comparatively trifling risk, would, obviously, be a much more effectual mode of proceeding than the one which had been adopted: for it would not merely allay panics, but prevent them from ever occurring.

Such an idea being once started, it was only necessary to go a step further, and imagine that these parties, instead of guaranteeing another Bank, should pay up a capital, and form a Bank of their own, to be managed by such a Committee, in order to arrive at the notion of a Joint Stock Banking Company, and be led, also, to reflect upon the probable success of such an undertaking. In this manner, the idea of a Joint Stock Bank first occurred to me. Such Banks, however, had long existed in Scotland; but there was no account of them extant, except an incidental one by Smith, in his *Wealth of Nations*; and this had been read for fifty years, without leading the public to desire, or any one to communicate, further information respecting them. The idea, thus started, led to further enquiries on my part, and gave a corresponding turn to them; and the publication in question was the result: though not being myself a Banker, not residing in Scotland, and not having, at the time, any sources of information open to me, it took me four or five years to obtain the information, and digest the views which it contained.

It proved as successful as I could have antici-

pated. In the County of Durham, which had suffered much from Bank failures, and where the Local Banks were not so influential as in Newcastle, a meeting was held, at which the late Lord Barrington presided, and resolutions were passed favourable to the objects of the publication. A highly respectable Committee, of which Lord Barrington was one, was also formed, to promote the establishment of a Joint Stock Bank, upon the principles recommended. Private meetings were likewise held by some of the most respectable trading persons in Liverpool, where I had distributed several of my Pamphlets, for the same object. But in the mean time the subject was taken up by Ministers.

In 1822, the price of agricultural produce had fallen beyond all precedent, and the Agriculturists were in the greatest distress. Many persons attributed this fall to a contraction of the Currency, or a withdrawal by the Banks of their notes from circulation ; and Ministers, amongst other measures for counteracting this effect, were desirous to promote the immediate introduction of Joint Stock Banks. The late Marquis of Londonderry, consequently, amongst several different plans for relieving the distress, brought forward, in April of that year, a proposal for throwing open the Charter of the Bank of England. He announced that Ministers had entered into an arrangement with the Bank, for a renewal or prolongation of its Charter for ten years longer, on condition of its consenting, that the whole of England, situated beyond the

distance of 65 miles from London, should be thrown open to the establishment of these companies.

The measure, however, thus hastily taken up, was as hastily abandoned. The country at large knew nothing about Joint Stock Banks, for the subject had not been taken up by the Press ; and my Pamphlet had only been read where I had distributed it. The question, therefore, had been brought forward before its time ; while the secret opposition of the Bank Directors, who were very much averse to it, on the one hand, and the open opposition in Parliament, on the other, deterred Ministers from persevering in it.

Having come up to London, I attempted, by exposing the secret opposition of the Bank Directors, in the Times newspaper, to call attention to, and raise a discussion upon the subject : but after one letter from the Bank, in reply, the Directors, or their advocate, would go no further.

I had sent copies of my Pamphlet to the Government ; and Lord Londonderry very naturally made use of it on this occasion. But his Lordship did not make any reference to the source of his information, either in Parliament, or to myself by letter ; a course of proceeding which struck me as particularly unfair. Ministers are assuredly not free from the obligations of fair dealing in such matters more than other men. That can never be respectable in them, which is disreputable in Grub Street. Besides which, coming so closely after the Pamphlet was published, it would be im-

possible to be known whether my Pamphlet had been suggested by his observations, or his observations by my Pamphlet; and between adopting views, and originating them, there is no small difference.

Nor could any thing be less politic as regarded the object they had in view. The public could never be induced to set up Banks so quickly as to afford any immediate relief to the Agriculturists, without information on the subject calculated to induce them to do so, and it was the only source of such information extant. They had made a similar alteration in the Charter of the Bank of Ireland before, without the least effect. They ought, therefore, to have been desirous to have made the Pamphlet known, rather than have pirated it, had they consistently pursued the interests of the public upon the occasion. In private, indeed, they had spoken well of it. Mr. Huskisson had said that it was one of the best practical essays he had ever read.* But to acknowledge in

* In a review of it in the Quarterly Review, about two years afterwards, which I had reason to infer was written by Mr. Huskisson, he spoke of it as follows :—

“ Mr. Joplin is an inhabitant of Newcastle upon Tyne. As the neighbouring district had often very severely suffered from the failure of Banks, his attention was powerfully called to the subject; and having, as he conceived, discovered a prevention of such calamities in future, he very properly communicated his opinions to the public, in a clear and forcible representation of the evils experienced from the present system of Provincial Banks, and of the

private, what they adopt in public, is merely being privately honest, and publicly the contrary. It is paying the owner in credit or reputation a shilling in the pound, and pocketing the remainder : and credit or reputation is frequently a means of great public usefulness, properly employed, as well as private advantage to the individual to whom it may justly belong.

This system, however, of taking indirectly the credit of the labours of others, is common in public proceedings, and with public men ; another remarkable instance of which I shall take the liberty of pointing out.

The principles adopted by the Bullion Committee, which sat in 1810, and the view which it gave of our system of Currency, had been elicited about eight or ten years before, by different writers ; but more especially by the late Mr. Henry Thornton, Mr. Boyd, and the present Lord King. A Pamphlet, also, had subsequently been published by Sir H. Parnell, applying these principles to the Irish Currency ; and a Committee of Parliament had sat in 1804, and investigated the matter ; and as regarded Ireland, in her intercourse with England, had adopted them. But the British public had taken little or no interest in the question, until 1809, when

“ remedies that ought to be adopted. The Author,” he further remarks, “ appears to be practically acquainted with “ money transactions ; he is here on well known ground, and “ can maintain it strongly.”

an unusual rise having occurred in the price of gold Bullion, attention was forcibly called to it, by a publication of Mr. Ricardo's, entitled "The high Price of Bullion—a proof of the depreciation of Bank Notes;" the substance of which had previously appeared in the Morning Chronicle. This Pamphlet contained no new principles; but was very concisely and forcibly written, and placed the subject in a clearer point of view than before. And in the February following, Mr. Horner moved for and obtained the appointment of the Committee in question, to investigate the subject. It sat four months; and the report was extremely well drawn up, but did not contain an original idea, and was little more than an illustration of Mr. Ricardo's Pamphlet. It, however, contained all that could be said upon the subject; and being a more authoritative document, became the chief object of public attention, the moment it appeared; and as its proper authors, Lord King, Mr. Boyd, and Mr. Thornton, though living at the time, were neither quoted nor examined, they were never heard of in the question; while Mr. Ricardo, who was the immediate cause of the enquiry, was only known amongst the numerous writers that immediately started into existence at the time, as the author of a very good Pamphlet on the subject. Mr. Thornton, indeed, was a Member of the Committee; but neither being examined, nor quoted, he was not identified with the report; the credit of which was ascribed to

Mr. Horner, by whom it was composed, and whom the public immediately placed at the head of a question, to which he was, comparatively, a very humble contributor. He had, as it was understood, written an article or two upon the subject, in the *Edinburgh Review*, six or eight years before, but these were reviews of Mr. Thornton's and Lord King's publications, and consisted of little more than abstracts of them. In the review of the first, he expresses a want of confidence in his knowledge of the subject; and, in the last, lays down principles which Mr. Ricardo rebutted, and which were directly at variance with those adopted by the Committee. Besides this, he never adverted once to the subject in Parliament, until after the publication of Mr. Ricardo's Pamphlet, although in the habit of speaking on the kindred subjects of trade and commerce.

I am not aware of what were the feelings of the other parties mentioned respecting this usage; but I once had a conversation with Mr. Ricardo on the subject, and he did not appear to think that he had been rightly treated. In short, the proper proceeding for the Committee would have been, to have given a history of the growth of the opinions and views they adopted. Each writer that had thrown light upon the question should have been referred to; and if he were living, he ought to have been examined, to know whether he still maintained the views he had published, or whether he had seen reason to change or modify them.

This would not only have been just to the authors, whose principles they had taken, and by whose writings they had been instructed, but would have been proper as regard the House of Commons itself. Parliament does not, or ought not to appoint Committees to amuse it with theories of their own; and the Bullion Committee had a pre-conceived one at variance with the opinions of the majority of the practical men examined. These opinions they were compelled to rebut; and it was peculiarly important to the House, to know whence this theory came, and by whom it was originated and maintained, since it was so much opposed to the notions of those who ought to have been best acquainted with the subject.

In thus giving a history of the growth of the question, the Committee would also have had an opportunity of apportioning to each individual his proper share in it, and correcting the judgment of the public, where it might otherwise err in that respect, by referring back to those by whom the views were originally discovered, and who without this would be lost sight of. Important principles are seldom brought to light at once, and the public are under great obligations to those who have spent their time and talents in eliciting them, or indeed in eliciting any views which Parliament or Ministers may think worthy either of adoption or enquiry; and the least they have a right to expect is acknowledgment, and not spoliation.

But to return to the subject from whence we

started. I was, of course, much disappointed at the result of the ministerial proposition for altering the Charter of the Bank of England. My Pamphlet had had the desired success where it had been distributed, though neither the metropolitan, nor the country newspapers had taken it up. The latter, indeed, I found were so intimately and personally connected with the Local Banks, that support from them was not to be expected; and the former were not disposed to take any lead in the question. But notwithstanding this, the measure would, in all probability, have been carried, had it not been for the precipitancy of the Ministers. There is little doubt, the Bank I had proposed would have been subscribed to. An application would have been made for an Act to permit its formation. The subject would then have been regularly enquired into—have found its advocates in Parliament, and the London Press, if not disposed to lead, would have followed with its usual ability; and what with the support of public opinion on the one hand, and of Ministers on the other, the measure would eventually have been adopted, notwithstanding the impediments which might have stood in its way, as is always the case in questions of great public utility. But the Ministers, in attempting to anticipate public opinion by bringing the question forward before its time—by the manner also in which this was done, as well as by the manner in which it was abandoned, without any hopes being held out with respect to the future, did not merely increase the

difficulties to be overcome, but extinguished the measure at once; and Lord Barrington's Committee took no further steps in it. On the other hand, also, by not giving me the least encouragement, they might have extinguished me as well as the measure: for nothing can be more discouraging than to find our hopes destroyed by the mismanagement of those upon whom we must depend for support, and to find ourselves pirated with the greatest composure, where we might have expected thanks.

But notwithstanding this, I did not give the matter up in despair. The difficulties were, no doubt, very much increased; but I knew that much might be done by individual exertion in such a question, and my determination was rather invigorated with the difficulties before me than otherwise. Besides, I proposed to myself some advantage from success. The object was not like the abolition of the Slave Trade, altogether one of philanthropy; or like many great political questions, a subject of party excitement, or patriotic feeling, which are presumed to be, in a great degree, their own reward. It was chiefly a pecuniary one—a question of pounds, shillings, and pence,—and it does not seem unreasonable that a party forming plans, by which others are to make great profits, should entertain some views of profit himself. There was this difference, however, that if my resolution was invigorated with the difficulties before me, my views of advantage were proportionately expanded

also. I did not confine them as heretofore to the formation of a single establishment; and, indeed, without some adequate apology to myself for what now appears so foolish, I could not well have proceeded onwards as I did.

But previously to any more direct efforts on the subject of Banking, I was led to turn my attention to that of Currency.

In 1822, as before mentioned, the Agriculturists were in great distress. Parliament, after extensive enquiries and deliberate investigation, had, only a very few years before, determined, that an average of 80s. per quarter for wheat, and other produce in proportion, was a price necessary to remunerate the Farmer; yet, in 1822, wheat had fallen to an average of only 43s. per quarter, and other produce in an equal degree. The consequence of which was, that both Farmers and Landlords were in a state of great embarrassment and ruin. This being the case, to afford them relief was the object of all parties. In this object the commercial classes cordially sympathised. The landed and commercial classes have generally been in the habit of considering their interests at variance; and cheap corn is what the latter invariably desire. But the price, on this occasion, fell below the level of the most ardent advocate for low prices, and the misery it caused was greater than the most selfish would desire to profit by. Of this some proof may be afforded by the fact, that there were 150 sales of farming stock advertised in a Norwich paper in one week.

Hence, a remedy for this evil of low prices was generally desired. But, in order to discover the remedy, it was necessary, in the first place, to know the cause. Without rightly understanding a disease, there is seldom much chance of prescribing a cure for it; and upon this point, the Doctors were by no means agreed. There were a variety of views entertained, but the majority may be said to have divided themselves into two classes; one of which attributed it to too much corn, and the other to too little money. If it proceeded from too much corn, it was admitted that more must have been produced than was wanted. The ports had been shut against foreign corn for some years, and there was no doubt that it was from the excess of our home growth, or over production, that this abundance must have arisen: did the fall proceed from this cause?

On the other hand, those that attributed it to too little money, considered that the Bank of England, and the Country Banks, had contracted their issues in consequence of an Act that was technically termed Mr. Peel's Bill, which passed in 1819, ordering the Bank of England, and subsequently the Country Banks, to pay their notes in coin upon demand, in conformity with the advice of the Bullion Committee. One party, therefore, attributed it to *over production*, and the other to *Mr. Peel's Bill*. A Committee of the House of Commons, in 1821, termed the Agricultural Committee, had examined the subject, and had come to the conclusion that the fall might partly have

proceeded from both these causes, but chiefly from glut, the result of excessive supply.

For this, of course, there was no other remedy than patience, until the supply should be reduced to a level with the demand. It was considered that, when those who farmed the worst lands were ruined, and the lands were thrown out of cultivation, the quantity of produce brought to market would be diminished, the markets would cease to be overstocked, and the price would rise again to a remunerative level.

Those, on the other hand, who considered the fall to have been exclusively caused by Mr. Peel's Bill, recommended the repeal of it as the proper remedy. The respective advocates for these opinions might support them with warmth, but truth was the only object of both parties. The views of neither, however, were perfectly satisfactory, or consistent with the evidence extant. Indeed, the truth, though it may require some labour to discover, and, perhaps, some skill to bring to light, is, in general, when it appears sufficiently obvious and simple, to reconcile the generality of intelligent men; and when we find two classes of such men disputing about it, in a question of science, we may be assured, that though both may not be altogether wrong, yet, that the whole truth does not lie between them.

This, at least, appeared to me to be the case in the present instance; and I imagined that I might be able to throw some light upon the subject, and

that the result would be calculated to further my views with regard to the improvement of the Banking System. I was thus led into the consideration of what is called the Currency Question, of which I propose to give a history and an analysis.

Now, the three subjects which I have touched upon in this Chapter, I propose to be the subjects of this work. That of Currency will be the chief one. That of Banking, which is connected with it, the next. And the third will be the Ministerial and Parliamentary practice of piracy; other instances of which, arising out of the history of the Currency Question, I shall have the opportunity of pointing out. It is a practice, though sanctioned by usage, which is totally inconsistent with strict morality—with the dignity of Parliament, and the integrity of those who practise it; while it is frequently injurious to the interest of the public, as I shall be able to show. And as it is a practice universally complained of, I should hope it might be amended. At all events, the period of a Reform in Parliament does not seem an unfavourable one in which to call attention to the subject.

It will be readily perceived, that all these objects could only be embraced in a work, assuming the narrative form, which has been adopted in this; and I trust the indulgent reader will find, in the necessity of the case, some apology for the egotism involved, which might otherwise have been less excusable.

CHAPTER II.

History of the Currency Question.—Principles of Smith, relative to our Currency.—Conditions on which he considered that the Trade of Banking might be left perfectly free.—Restriction on Cash Payments.—The Principles adopted and put forth by the Bullion Committee.—The Doctrine of the Regulating Power of the Bank of England.—The Doctrine, that Payment in Cash, by the Bank of England alone, was sufficient.—Differences between the Bullion Committee and Smith.

THE Currency Question is one which it is almost impossible to define, both because no two persons exactly agree upon it, and because the question of to-day is seldom exactly the question of to-morrow. To understand it properly, therefore, it will be necessary to start from the foundation, and briefly give a history of the doctrines which have been, at different times, held on the subject, with their practical application, from the time of Smith. This may be a little tedious, but it is preferable to being obscure.

The circulation of this country has, for a long period of time, consisted chiefly of the Promissory Notes of the Bank of England, and other Banks, in all parts of the country, payable, on demand, in the coin of the realm. Originally, no doubt, the

circulation was exclusively metallic : but the Banks being allowed to issue such Notes, which answered the purpose of money as well, the gold was driven out of circulation ; and these Notes, as far as their circulation was permitted by law, have been substituted for it.

They are put into circulation, or issued by being lent to the public, in discounting commercial Bills, or in loans upon other securities ; and by the Bank of England, partly in loans, to the Government, and partly to the public, though chiefly to the former. But they do not even, in the present day, inclusive of stamp duty, cost the Bankers that issue them, more than ten or twelve shillings per cent. While, on the other hand, as they answer all the purposes of money, they obtain never less from the public than four, but, in general, five per cent. for them. And when issued upon Government securities, two and a half to three and a half per cent. It is thus the interest of the Banks to issue as many Notes as they can. A Bank that issues one hundred thousand pounds to the public at, say four and a half per cent. on the average, will, apparently, make four thousand ; and if it issues a million, forty thousand per annum. It is obviously, therefore, the interest of every Bank to issue a million, rather than a hundred thousand pounds. The Notes, thus issued, however, do not merely furnish capital to the party who borrows them, and yield interest to the Banks by which they are lent, but the value of all the property in

the kingdom is determined by the amount of them in circulation. The public have, therefore, a deep interest in the question of their issues. It is not the interest of the public, that the Banks should be allowed to do as they please. There is a proper amount which they ought to circulate, in order to keep property at the value it ought to possess. If they issue more than this, prices rise above their proper level; if less, they fall beneath it; and every change in the amount produces an inconvenient derangement in the value of property. It is necessary for the public, therefore, that they should be issued under the controul of laws which shall properly regulate the amount issued.

These laws are, naturally, a subject of great interest and importance, and early attracted the attention of political economists; and Smith, our greatest authority upon these subjects, after proper consideration, determined as follows:—

That “ if Bankers are subjected to the obligation
“ of an immediate and unconditional payment of
“ their Notes in coin on demand, as soon as pre-
“ sented, their trade may, with safety to the public,
“ be rendered, in all other respects, perfectly free.”

Wealth of Nations, Book 2, Chapter 2.

This simple rule, after much discussion, appeared to him, for every practical purpose, a sufficient check against any abuse of the power which the Bank enjoyed, of making money. With respect to the quantity of paper which they could issue,

under this law, he further observed, That “ the
 “ whole paper money, of every kind, which can
 “ easily circulate in any country, by Banks ob-
 “ ligated to pay their Notes upon demand, never
 “ can exceed the value of the gold and silver of
 “ which it supplies the place, or which (the com-
 “ merce being supposed the same) would circulate
 “ there, if there was no paper money.”

Wealth of Nations, Book 2, Chapter 2.

This, of course, as he elsewhere lays down, is the proper amount of paper required. In all his reasonings, he assumes, that the interest of the Bankers has a constant tendency to produce over issues. He has no apprehension, that it can ever be their interest to issue a smaller quantity of Notes than the country requires. His enquiries are, therefore, chiefly directed to ascertaining the proper checks to over issue, and the manner in which an over issue is checked, when Banks are obliged to pay their Notes upon demand, is thus described.

“ Should the circulation of paper, at any time,
 “ exceed the value of gold and silver, of which it
 “ supplies the place, many people would imme-
 “ diately perceive that they had more of this paper
 “ than was necessary for transacting their business at
 “ home, and as they could not send it abroad, (Bank
 “ Paper only passing current where it is issued,) they
 “ would immediately demand payment for it from
 “ the Banks. When this superfluous paper was
 “ converted into gold and silver, they would easily

“ find a use for it, by sending it abroad ; but they
 “ could find none when it remained in the shape of
 “ paper. There would be, therefore, a run upon
 “ the Banks to the extent of this superfluous paper.”

Wealth of Nations, Book 2, Chapter 2.

In this manner an excessive issue of paper could never be injurious. The superfluous paper would not be put into circulation so as to alter and derange prices, but would be converted into gold, and the gold would be exported without this effect being produced.

This, however, though not inconvenient to the public, would be so to the Banker who had to find the gold, and the probability is, that he would have some rule by which to determine when he had issued enough, so as as not to be put to this inconvenience. This rule Smith describes as follows :—

“ If the paper money which the Bank advances,
 “ never exceeds the value of that capital, which a
 “ merchant or undertaker of any kind would
 “ otherwise be obliged to keep by him in ready
 “ money, for answering occasional demands, it
 “ never can exceed the value of the gold and silver
 “ which would necessarily circulate in the country,
 “ if there was no paper money ; it can never exceed
 “ the quantity which the circulation of the coun-
 “ try can easily absorb and employ ;” and, con-
 “ sequently, that “ when a Bank discounts to a
 “ merchant a real Bill of Exchange, drawn by a

“real debtor, upon a real creditor, and which as soon as it becomes due is really paid by that debtor, it only advances to him a part of the value, which he would otherwise be obliged to keep by him unemployed in ready money, for answering occasional demands.” And, likewise, that “a merchant, without overtrading, may frequently have occasion for a sum of ready money, even when he has no Bills to discount. When a Bank, besides discounting his Bills, advances him likewise upon such occasions, such sums upon his cash account, and accepts of a piece meal re-payment, as money comes in from the occasional sale of his goods, provided such re-payment be made in the course of some short period, (of four, five, six or eight months, for example,) they are secured from the possibility of issuing more paper money than what the country can easily absorb and employ.”

Wealth of Nations, Book 2, Chapter 2.

With these views nothing could be more perfect than such a system of Currency. The Banker would never issue too little for his own sake, and he never could issue too much so as to do injury to any but himself; and if he were to injure himself, it must be with his eyes perfectly open.

These rules may be considered more particularly applicable to the Scotch Banks, who, at the time that Smith wrote, as well as at present, issued One Pound Notes, and the circulation, with the

exception of small change, consisted exclusively of paper.

This, however, he did not appear to prefer. In England, small Notes did not circulate. The Bank of England did not issue any, at that time, under ten pounds value, nor the Country Banks any under five; and it will be seen by the following extract that he thought this practice preferable:—

He observes that—"paper money may be so regulated, as either to confine itself very much to the circulation between the different dealers, or to extend itself, likewise, to a great part of that between the dealers and consumers. Where no Bank Notes are circulated under £10. value, as in London, paper money confines itself very much to the circulation between the dealers. When a £10. Bank Note comes into the hand of a consumer, he is generally obliged to change it at the first shop, where he has occasion to purchase five shillings worth of goods; so that it often returns into the hands of a dealer before the consumer has spent the fortieth part of the money. Where Bank Notes are issued for so small sums as 20s., as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the Act of Parliament which put a stop to the circulation of ten and five shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled

“ almost the whole of that circulation. In some
 “ paper currencies of Yorkshire, it was issued even
 “ for so small a sum as sixpence.

“ Where the issuing of Bank Notes for such very
 “ small sums is allowed, and commonly practised,
 “ many mean people are both enabled and en-
 “ couraged to become Bankers. A person whose
 “ Promissory Note for £5., or even for 20s., would
 “ be rejected by every body, will get it to be re-
 “ ceived without scruple, when it is issued for so
 “ small a sum as sixpence. But the frequent bank-
 “ ruptcies to which such beggarly Bankers must
 “ be liable, may occasion a very considerable in-
 “ conveniency, and, sometimes, even a very great
 “ calamity to many poor people who had received
 “ their notes in payment.

“ It were better, perhaps, that no Bank Notes
 “ were issued in any part of the kingdom for a
 “ smaller sum than £5. ; paper money would then,
 “ probably, confine itself in every part of the
 “ kingdom, to the circulation between the different
 “ dealers, as much as it does at present in London,
 “ where no Bank Notes are issued under £10.
 “ value ; £5. being, in most parts of the kingdom,
 “ a sum which, though it will purchase, perhaps,
 “ little more than half the quantity of goods, is as
 “ much considered, and is as seldom spent all at
 “ once, as £10. are, amidst the profuse expense of
 “ London.

“ Where paper money, it is to be observed, is
 “ pretty much confined to the circulation between

“dealers and dealers, as at London, there is always
 “plenty of gold and silver. Where it extends it-
 “self to a considerable part of the circulation
 “between dealers and consumers, as in Scotland,
 “and still more in North America, it banishes
 “gold and silver almost entirely from the country ;
 “almost all the ordinary transactions of its in-
 “terior commerce being thus carried on by paper.
 “The suppression of ten and five shilling Bank
 “Notes, somewhat relieved the scarcity of gold
 “and silver in Scotland ; and the suppression of
 “twenty shilling notes will, probably, relieve it
 “still more. Those metals are said to have be-
 “come more abundant in America, since the sup-
 “pression of some of their paper currencies : they
 “are said, likewise, to have been more abundant
 “before the institution of those currencies.”

Wealth of Nations, Book 2, Chapter 2.

He here gives two reasons for preferring gold
 and silver in the room of small notes, or rather he
 gives one reason, and leaves another implied. The
 reason he gives is, that they can be issued by Banks
 of inferior property, and may tend to induce people
 to become Bankers, who otherwise would not pos-
 sess sufficient credit. And the implied reason is,
 that gold and silver are more valuable than paper,
 that plenty of them is desirable, that small notes
 in Scotland banish them almost entirely from cir-
 culation, and that the suppression of 5s. and 10s.
 notes was an advantage, because it *relieved the scar-*
city of gold and silver, implying of course that their

scarcity was an evil, and their return to circulation a relief. But this mode of speaking of a metallic circulation is at variance with other parts of the same Chapter.

He afterwards states, that “ a Paper Money, “ consisting in Bank Notes issued by people of “ undoubted credit, payable upon demand, without “ any condition, and in fact always readily paid as “ soon as presented, is in every respect equal in “ value to gold and silver.” In another part, he argues much at length on the advantage of substituting paper for gold. “ The gold and silver,” he remarks, “ which circulates in any country is all “ dead stock. It is a valuable part of the capital “ of the country, which produces nothing to the “ country. The judicious operations of Banking “ by substituting in the room of a great part of “ this gold and silver, enables the country to convert this dead stock into active and productive “ stock ; into stock which produces something to “ the country.”

And the summing up of his argument, after all these contradictory views, is what we have already stated, “ that if Banks are obliged to pay their “ notes on demand ; the trade, in other respects, “ may be left totally free.” The views of Smith may, therefore, be thus comprised.

1. That he would prefer the circulation between consumers, or what may be termed the *consumptive* circulation, to be metallic ; but that he thought it a great advantage for the circulation between

dealer and dealer, which we shall, for convenience, call the *abstract* circulation, to be paper ; admitting, at the same time,

2. " That if Bankers were subjected to the
 " obligation of an immediate and an unconditi-
 " onal payment of their notes in coin, on demand,
 " as soon as presented, their trade may, *with safety*
 " to the public, be rendered in all other respects
 " perfectly free."

3. That the amount of Notes which the country required was an amount equal to the sum of metallic money which would circulate if there were no paper.

4. That this amount could not be exceeded without producing an immediate demand for gold to be sent abroad previous to its passing into general circulation ; by which, of course, no derangement of prices, from excess of issues, could at any time be produced ; the evils of over issues being confined to the Banks upon whom the demand for gold would arise.

5. That besides this, if the Banks confined their loans to real Bills of Exchange and real transactions, they would not be liable to any excess of issues whatever.

With these views of the working of our Paper System, nothing, as we have already inferred, could be more reasonable than his conclusions as to its value. It was evidently one from which much good might be derived, and no harm.

First, A Banker could never issue to excess without knowing that he was doing so. Next, If he did issue to excess, the excess would be immediately returned upon him without entering into general circulation. While, on the other hand, his interests would induce him to keep the channel of circulation full ; so that an equal and steady supply of paper would at all times be furnished. At the same time it must be observed, that a metallic currency was the standard by which its merits were tried. These rules were chiefly valuable, because they secured a steady supply of paper equal to the amount of metallic money, which would have been in circulation had there been no paper.

I am not aware that Smith's principles were ever disputed in theory, until they had been departed from in practice. In the year 1797, however, this occurred.

Although the Country Banks were obliged to pay their Notes in gold upon demand, the Bank of England, and not the Country Banks, had to keep the stock of gold requisite for this purpose. Gold was never required of the Country Banks in exchange for their Notes, except when in discredit with the public, and a panic had occurred. Hence, in preference to keeping a dead stock of gold to meet such an emergency, it was more to their ad-

vantage to hold funded property, which paid them interest. This they could sell at a moment's notice for Bank of England Notes, and with these obtain from the Bank the gold they wanted. The Bank was consequently obliged to keep for them the stock of gold they required on these occasions. Besides this, all money due or paid to foreign nations, or sent out of the country from whatever cause, is remitted from London ; and the Bank of England, being the only Bank in London that issues Notes, is obliged to keep a stock of gold, to meet the demands for this purpose also.*

Now, in 1797, there was a great demand upon the Bank of England, from both these causes ; for they frequently occur together. There was a large exportation of gold, and a panic amongst

* This circumstance, it may be remarked by the way, does not arise from its being a chartered Bank, or the Bank of Government, as some suppose, but from its local position, and its possession of the London circulation, which latter it does not enjoy from its Charter, but by the permission and sufferance of the other London Banks. If the dividends of Government were paid in Edinburgh, and the transfers of Stock made there, the Country Banks would obtain their gold thence also. They would have to sell their Stock for Scotch Notes, and would of course obtain the gold from the Banks that issued them. Or if Edinburgh, instead of London, was the place where all foreign Bills were made payable, and all transactions with other countries balanced ; the parties remitting money abroad, to pay the balances that might be due, would obtain it from the Scotch Banks, and the Scotch Banks would be obliged, as the Bank of England is, to keep a corresponding stock of gold for these purposes.

the Country Banks; and the Bank was so far exhausted of gold, that it was apprehended it would be unable much longer to supply the demand for it, and must, consequently, suspend payment.

The Notes of the Bank, however, for every domestic purpose, are equal to gold, whether the parties holding them are enabled to obtain gold for them or not; and from a suspension of payments, consequently, no immediate evil could result. The Government, therefore, made a kind of virtue of necessity, and issued an order in Council, subsequently confirmed by Parliament, which authorized the Bank to do that legally, which it seemed probable it must do, whether legal or not. It was authorized to suspend paying its Notes in cash, upon demand, or, as more commonly termed, to suspend cash payments. From this, no practical inconvenience was found to arise; and this restriction was, eventually, continued for more than twenty years. Up to this period, neither the Country Banks, nor the Bank of England, were allowed to circulate Notes under the value of five pounds. But after this, they were both permitted to issue them so low as one pound. This permission, however, was a different measure, and a different Act of Parliament from that which suspended cash payments; nor were they necessarily connected, though that which made the one necessary, might make the other desirable. It would still be desirable to enable the country to pay the balances in cash that might be due to foreigners,

notwithstanding the Bank had ceased to pay in cash ; and by allowing small Notes to be issued, a large quantity of gold was set at liberty for this purpose.

The Country Banks being, also, freed from paying in gold, on demand, as well as the Bank of England, were authorized, instead, to pay their Notes in those of the Bank ; while it was placed under no restraint whatever, but the discretion of its Directors, and might issue as many as it pleased.

This state of things, so opposed to established principles, yet not productive of any practical inconvenience, necessarily drew the attention of political economists to the subject, and gave rise to different publications, the most valuable of which was Mr. Thornton's work on Paper Credit, in which new and important views were exhibited. One of the rules laid down by him, was, that an excessive issue of paper would be indicated by a rise in the price of gold. If fifty millions of paper only were requisite to supply the place of the gold it had supplanted, and sixty millions had been put into circulation, the sixty millions of paper would only be worth the fifty millions of gold, and this would appear by gold rising in price. If six pounds in paper were only worth five pounds in gold, a sovereign in gold would be worth one pound four shillings in paper. As soon, therefore, as gold rose four shillings per sovereign, or in any smaller degree, it would indicate that

there was more paper in circulation than there ought to be.

In 1809, this indication of excess had become observable ; all the coin had been exported. Our money was exclusively paper, and more had been put in circulation than the amount of gold and silver which would have supplied its place, had there been no paper, and the price rose to £4. 10s. an ounce, that is, about 23s. per sovereign ; whereas, if there had not been more paper in circulation than equal to the amount of gold which would have been in circulation had there been no paper, it would have only been 20s. the sovereign, or £3. 17s. 10½d. per ounce, being the value which an ounce of gold produces in coin, from the Mint. That this rise in the price of gold was the consequence of a depreciation in the value of paper, was not, however, obvious to common sense, and common observation ; because, if a thing becomes scarce, its price also rises in the same manner ; and it would have been impossible for the public themselves to have made the distinction between the one cause and the other,—whether paper had become plentiful, or gold scarce.

Neither, perhaps, would Mr. Thornton's, or Lord King's, or any previous work, though eliciting the principles, have been sufficient to bring the public mind to a clear and forcible application of them to the state of things which had occurred in 1809. But, in the latter end of that year, Mr. Ricardo published his Pamphlet, " The High

Price of Bullion, a proof of the depreciation of Bank Notes ;” and by confining himself to the point expressed in his title, and those which immediately bore upon it, he clearly and forcibly, in a short compass, not only raised, but settled the question. For the materials of his work, he was chiefly indebted to Mr. Thornton, Lord King, and Mr. Boyd,* as has been before observed ; but it was the immediate cause, and formed the ground work of the report of the Bullion Committee.

The principles of this Committee, supported by a host of writers, became now the received opinions upon the subject, and they were as follows :—

They entirely agreed with Smith in the general principle, that if Banks were obliged to pay their notes in specie on demand, the trade might, in all other respects, be left perfectly free. They agreed with him that the sum of paper in circulation ought not to exceed the sum of metallic money that would be in circulation if there were no paper : and they further agreed with him, that if this amount of paper was not exceeded, that no great demand for gold for exportation would ever arise ; and that if it were exceeded, a demand would arise

* The Pamphlets of Lord King, and Mr. Boyd, I have not been able to meet with ; but an account of the former may be seen in one of the first volumes of the Edinburgh Review. It appears to have been a work of great beauty, as well as power ; and Mr. Ricardo, in the Preface to his Pamphlet, acknowledges his obligations to it. Mr. Boyd’s was an earlier publication than either Mr. Thornton’s, or Lord King’s.

for exportation adequate to the excess. But, in every other respect, they differed with him, and laid down principles equally new and important.

In the first place, they repudiated the principle that Banks could not issue to excess, if they confined themselves to advancing money on real Bills of Exchange. This principle they proved totally incorrect.

In the next, they denied that an excess of issues would be discovered by the merchant previously to the money entering into consumptive circulation, and be returned upon the Banks for gold : though they admitted that an excess of issues would produce a demand upon the Banks for gold for exportation. But this they proved would take place after the paper had been introduced into circulation, and had depreciated the value both of itself, and of the gold in which it was payable ; that gold, by this operation, becoming less valuable in England than in other countries, would be exported to other countries ; that the excess of paper would be returned upon the Banks in demand for it, to be sent abroad, until the excess was withdrawn ; and that the value of both paper and gold would then rise to its previous level, and the exportation of gold cease. This doctrine negatived the idea of Smith, that an excess of issues did not find its way into consumptive circulation. It was contended, on the contrary, that prices must be raised above their proper level before an exportation of gold could be brought about.

Thus two important principles of Smith's, which would be very much calculated to affect his views as to the value of a Paper Currency, were set aside: first, that the Banks had an easy rule by which to guard against excess; and next, that if they did issue to excess, no derangement of prices would be produced by it: that the injury would be felt by themselves, and not by the public.

To the derangement of prices, however, which, according to their views, must precede an importation of gold, the Committee did not appear to attach much importance. They state: "It is important, at the same time, to observe, that, under the former system, when the Bank was bound to answer its Notes in specie upon demand, the state of the Foreign Exchanges and the price of gold did most materially influence its conduct in the issue of these Notes, though it was not the practice of the Directors systematically to watch either the one or the other. So long as gold was demandable for their paper, they were *speedily* apprized of a depression of the Exchange, and a rise in the price of gold, by a run upon them for that article. If, at any time, they incautiously exceeded the proper limit of their advances and issues, the paper was *quickly* brought back to them by those who were tempted to profit by the market price of gold, or by the rate of Exchange. In this manner the evil *soon* cured itself."

Hence, though an excess of issues would open

rate upon the exchanges, by entering into consumptive circulation, and altering the value of money generally, this operation was presumed to be so extremely rapid, as to render convertibility into specie, on demand, a sufficiently safe and convenient check against over issues for every practical purpose.

In the third place, they considered, that the issues of the Bank of England regulated those of the Country Banks. This theory was new, though appearing to be suggested and borne out by experience. It is thus described by the Committee.

“ So long as the cash payments of the Bank are
 “ suspended, the whole paper of the Country Ban-
 “ kers is a superstructure, raised upon the foun-
 “ dation of the paper of the Bank of England. The
 “ same check, which the convertibility into specie,
 “ under a better system, provides against the ex-
 “ cess of any part of the paper circulation, is, du-
 “ ring the present system, provided against an ex-
 “ cess of country Bank paper, by its convertibility
 “ into Bank of England paper. If an excess of
 “ paper be issued in a country district, while the
 “ London circulation does not exceed its due pro-
 “ portion, there will be a local rise of prices in that
 “ country district, but prices in London will re-
 “ main as before. Those who have the country
 “ paper in their hands will prefer buying in Lon-
 “ don, where things are cheaper; and will, there-
 “ fore, return that country paper upon the Banker
 “ who issued it, and demand from him Bank of

“ England Notes, or Bills upon London ; and thus
 “ the excess of country paper being continually
 “ returned upon the issuers for Bank of England
 “ paper, the quantity of the latter, *necessarily*, and
 “ *effectually*, limits the quantity of the former.”

As this principle is extremely important, and has had a great influence in the subsequent proceedings, relative to the Currency, we shall also give Mr. Ricardo's explanation of it, which is more full ; premising, at the same time, that they both took the principle from Mr. Thornton, who explained it pretty much in the same manner.

“ The money of a particular country is divided
 “ amongst its different provinces, by the same
 “ rules, as the money of the world is divided amongst
 “ the different nations of which it is composed.
 “ Each district will retain, in its circulation, such
 “ a proportionable share of the currency of the
 “ country, as its trade, and, consequently, its pay-
 “ ments may require, compared to the trade of the
 “ whole ; and no increase can take place in the
 “ circulating medium of one district, without being
 “ generally diffused, or calling forth a propor-
 “ tionate quantity in every other district. It is
 “ this which keeps a country Bank Note always of
 “ the same value as a Bank of England Note. If
 “ in London, where Bank of England Notes only
 “ are current, one million be added to the amount
 “ in circulation, the Currency will become cheaper
 “ there than elsewhere, or goods will become
 “ dearer. Goods will, therefore, be sent from the

“ country to the London market, to be sold at the
 “ high prices—or, which is much more probable,
 “ the Country Banks will take advantage of the
 “ relative deficiency in the Country Currency, and
 “ increase the amount of their Notes in the same
 “ proportion as the Bank of England had done;
 “ prices would then be generally, and not partially
 “ affected.

“ In the same manner, if Bank of England Notes
 “ be diminished one million, the comparative
 “ value of the Currency of London will be in-
 “ creased, and the prices of goods diminished. A
 “ Bank of England Note will then be more valu-
 “ able than a Country Bank Note, because it will
 “ be wanted to purchase goods in the cheap mar-
 “ ket; and as the Country Banks are obliged to
 “ give Bank of England Notes for their own when
 “ demanded, they would be called upon for them,
 “ until the quantity of country paper should be
 “ reduced to the same proportion, which it before
 “ bore to the London paper, producing a corre-
 “ sponding fall in the prices of all goods for which
 “ it was exchangeable.

“ The Country Banks could never increase the
 “ amount of their Notes, unless to fill up a relative
 “ deficiency in the Country Currency, caused by
 “ the increased issue of the Bank of England.
 “ If they attempted it, the same check which com-
 “ pelled the Bank of England to withdraw part of
 “ their Notes from circulation, when they used to
 “ pay them on demand in specie, would oblige the

“ Country Banks to adopt the same course. Their
 “ Notes would, on account of the increased quan-
 “ tity, be rendered of less value than the Bank of
 “ England Notes, in the same manner as Bank of
 “ England Notes were rendered of less value than
 “ the Guineas which they represented. They would,
 “ therefore, be exchanged for Bank of England
 “ Notes, until they were of the same value.

“ *The Bank of England is the great regulator
 “ of the country paper. When they increase or
 “ decrease the amount of their Notes, the Country
 “ Banks do the same ; and in no case can Country
 “ Banks add to the general circulation, unless the
 “ Bank of England shall have previously increased
 “ the amount of their Notes.*”

*The High Price of Bullion, a Proof of the
 Depreciation of Bank Notes.*

The natural conclusion from this, obviously was, that it was unnecessary to compel the Country Banks to pay in gold. If the quantity of the paper of the Bank of England, as was stated by the Bullion Committee, *necessarily and effectually* limited that of the Country Banks, all that was required for any practical purpose, was to place a proper controul upon the issues of the Bank of England, in order to regulate the whole ; and as this, it was contended, would be effectually done by ordering it to pay its Notes upon demand in cash, nothing more was required. More, indeed, was neither suggested by Mr. Ricardo, nor urged

by the Committee. The only observation made by the latter on the subject, is the following, which was the last paragraph of the Report, and had no reference to any thing which had preceded it.

“ It will be convenient, also, for the chartered Banks of Ireland and Scotland, and all the Country Banks, that they should not be compelled to pay in specie, until some time after the resumption of cash payments by the Bank of England ; but that they should continue for a short period upon the present footing of being liable to pay their own Notes on demand, in Bank of England paper.”

From this apparent indifference in speaking of cash payments being resumed by the Country Banks, it is clear that the Committee did not think it of any importance, provided the Bank of England was ordered to do so. This was consistent with the opinions they expressed ; for, if the Bank of England possessed the power of regulating the issues of the Country Banks by regulating its own, so *necessarily* and *effectually* as they assumed, to order the Country Banks to pay in cash, would be an act of supererogation.

With respect to the relative advantages or disadvantages of a small Note, compared with a metallic circulation, the Committee make no observations ; but, judging by inference, we may conclude them to have preferred paper. They observe, that—

“ They most fully agree with Dr. Adam Smith,

“ and all the most able writers and Statesmen of
 “ this country, in considering a paper circulation
 “ constantly convertible into specie as one of the
 “ greatest practical improvements which can be
 “ made in the political and domestic economy of
 “ any State, and in viewing the establishment of
 “ the Country Banks issuing such paper, as a most
 “ valuable and essential branch of that improve-
 “ ment in this kingdom.”

Neither in this, nor in any other part of the Report, do they make any distinction between the small Notes, and those of a higher denomination; although the law contemplated the withdrawal of the small Notes of both the Country Banks, and the Bank of England, simultaneously with the resumption of cash payments. The only observation made by the Committee, is the following, which forms the last paragraph but one of the Report.

“ Your Committee conceive it may be convenient for the Bank to be permitted to issue its
 “ Notes under the value of £5., for some little time
 “ after it had resumed payments in specie.”

With regard to the small Notes of the Country Banks, they say nothing; and as the small Notes of the Bank of England had become extremely obnoxious, on account of their liability to be forged, and the number of executions to which they had given occasion, it must be inferred that this was one reason why they were spoken of at all. And, at all events, as the small Notes of the Bank of

England were spoken of, and not those of the Country Banks, the reasonable inference is, that they did not think the withdrawal of these Notes necessary. Indeed, it would have been extremely inconsistent in them to have lauded Paper Currency as such an improvement, and then have recommended it to be withdrawn, without assigning a sufficient reason for the discrepancy between their opinions, and their advice.

Hence the doctrines of the Bullion Committee expressed and implied, may be thus summed up.

First—That a small Note Paper Currency was preferable to a Metallic, as far, at least, as regarded the country circulation.

2. That if Banks were obliged to pay their Notes in coin, upon demand, the trade of Banking might be left, in all other respects, perfectly free.

3. That the issues of the Bank of England necessarily and effectually regulated those of the Country Banks; and that though the latter, being compelled to pay in cash, might be desirable, it was not necessary; that the Bank of England being obliged to do so, would answer all the purposes required.

4. That the amount of currency required, was an amount equal to the sum of the Metallic Money which would be in circulation, if there were no Paper; but that the Bank Directors had no rules by which they could confine their issues to this amount; and that their only mode of ascertaining that they were in excess, was by

a demand arising upon them for gold after they had exceeded this amount.

5. That this demand, though produced by the money entering into consumptive circulation, and deranging prices, was produced so quickly as not to lead to any inconvenience, and was sufficient for every practical purpose of controuling and regulating the issues of the Bank, and, by consequence, of the kingdom.

CHAPTER III.

Mr. Ricardo's Plan for an economical and secure Currency.—The Plan adopted by Parliament in 1819.—The Reports of the Committees of both Houses upon it.—Mr. Peel's Bill compelled both the return to Cash Payments, and the withdrawal of the small Notes.—The latter effect of the Bill, unknown to, and unsanctioned by Parliament, and inconsistent with the principles and recommendations of the two Committees.

THE principles of the Bullion Committee were generally adopted by the public, but were not acted upon by the Government until 1819.

Its views and opinions, as we have seen, were, that, on the Bank issuing to excess, a demand for gold would speedily arise. If fifty millions were the right amount, and more than that were issued, a demand for gold equal to the difference would soon take place. This demand was, of course, a demand for exportation. If the small Notes were not withdrawn, which it may be inferred the Committee did not think necessary, if desirable, and gold was not wanted to supply their place, returning to cash payments did not necessarily imply that the Bank would practically be called upon to pay cash for its Notes, though it might think it necessary to be prepared with a stock of gold in the

event of being required to do so. Whether a demand upon it for cash arose or not, it was presumed, would depend upon itself. If it kept its circulation, and, by consequence, that of all the other Banks, within the fifty millions, or the proper limits, whatever they might be, the ordering it to pay in cash would practically be a dead letter; no one would call upon it to do so. The only effect of cash payments, therefore, would be, that the Banks would be restrained from issuing too much paper, but it would still continue the instrument of circulation as before, and, as has been observed, it may be concluded, that it was the opinion of the Committee that a paper circulation, on these principles, would be preferable to a gold one even in the place of small Notes.

It is not improbable, indeed, that paying in cash, but continuing the small Note circulation, was practically all the Committee desired. But, at all events, it was the legitimate conclusion to be derived from the principles they had adopted and laid down; and, in 1816, Mr. Ricardo published a pamphlet, entitled “ Proposals for an economical and secure Currency,” founded upon these principles.

Cash for exportation is not required in coin; it has to be coined into the money of the country to which it is sent, and is preferred in bars; and Mr. Ricardo proposed, that Bank of England Notes should remain a legal tender, and paper continue

the exclusive circulation of the country, but that the Bank should be compelled to pay its Notes in bars or ingots of not less, say than 20 ounces. These, of course, would never be demanded for internal circulation, and the demand upon the Bank for gold would thus be effectually limited to demands for exportation; and these it had itself the power of preventing by not issuing to excess. Very little gold, comparatively speaking, would consequently be required, to commence paying, in cash, while an effective controul would be placed upon the circulation of paper. On the other hand, should the Bank limit the circulation, too much gold would, of course, flow into the country. If too many Notes caused exportation, too few would cause importation. He, consequently, proposed the Bank should be compelled to purchase all the gold imported by an issue of Notes. This, however, he did not think material; because, if the Bank did not purchase the gold imported, it would be coined into money, at the Mint, and put into circulation; and this would practically have the same effect in enlarging the circulation as an issue of Notes. Therefore, any compulsory enactment, with respect to the Bank enlarging its issues on an importation of gold, he did not consider necessary, though he had suggested it, as such an enlargement must take place at all events.

This plan he specifically entitled "an expedient to bring the English currency as nearly as possible

to perfection ;” and, in 1819, when his principles and those of the Bullion Committee, were adopted by Parliament, this plan, for a short period, was adopted also.

Previously to the passing of the Act, which, as we before observed, was termed Mr. Peel’s Bill, Committees of both Houses of Parliament were appointed to investigate the subject. In their Reports, which were nearly identical as regards principles, they did not go over the same ground as the Bullion Committee, but assumed that its principles were admitted, and that Parliament had made up its mind to return to cash payments. All, therefore, they had to consider, was the best mode of doing so ; and as the Bank was not in possession of a stock of gold equal to any great demand for internal circulation, they proposed, that, from the first of February, 1820, to the first of May, 1823, the Bank should pay its Notes in ingots, upon this plan of Mr. Ricardo’s ; and that, in the mean time, the Country Banks should continue to pay theirs in those of the Bank of England.

The Committee of Lords, of which Lord Harrowby was Chairman, spoke of the plan as follows :

“ These considerations have led the Committee
 “ to examine, with particular attention, a plan
 “ which has been suggested to them, and which,
 “ as it will appear by the evidence, is viewed in a
 “ very favourable light by many persons well qua-
 “ lified to form a judgment upon such a subject.

“ The leading principle of this plan is, to restore

“ to the country, by the speediest and safest means,
 “ a metallic standard, as the regulator of its paper
 “ currency, by permitting the Bank to pay its
 “ Notes in Gold Bullion, at the Mint price, instead
 “ of Gold Coin.

“ Various advantages appear to the Committee
 “ to attend this plan, in preference to a simple re-
 “ sumption, in the first instance, of cash payments
 “ by the Bank. It establishes, equally with cash
 “ payments, the principle and the salutary con-
 “ troul of a metallic standard, while it affords the
 “ best prospect of avoiding or diminishing many
 “ of the inconveniences which are by many per-
 “ sons apprehended from that measure. It exempts
 “ the Bank from the obligation of providing a
 “ quantity of Gold, necessary to replace, in case the
 “ public should prefer coin to paper, all the smaller
 “ Notes, to the amount, probably, of 15 or 16
 “ millions, which are now circulated in London,
 “ and in the country ; and, therefore, by relieving
 “ the Bullion Market from this demand, it pre-
 “ vents that augmentation of the price of Gold,
 “ which might be the consequence of large pur-
 “ chases of that article made in a short space of
 “ time, under the pressure of a necessity, publicly
 “ and previously known : and it continues to the
 “ Bank, and, therefore, to the nation at large, all
 “ the advantages to be derived from the employ-
 “ ment of a capital, equal to the amount of all
 “ the small Notes in circulation, whether of the
 “ Bank of England, or Country Banks. In the one

“ case this capital would still be, as it now is,
 “ employed in the support and extension of agri-
 “ culture, and of commerce, whether foreign or
 “ domestic ; in the other, it would be merely an
 “ addition to the dead stock of the country, pro-
 “ ducing neither profit nor advantage !”

In these remarks, it is material to observe that the Committee considered a metallic currency, instead of small Notes, a dead stock, producing neither profit nor advantage.

The Committee of the House of Commons, of which Mr. Peel was Chairman, spoke of the advantages of the plan still more strongly.

“ Your Committee,” they observe “ proceed to
 “ state the reasons which induce them to recom-
 “ mend the adoption of these suggestions.

“ By requiring the Bank to pay a given quan-
 “ tity of Notes in standard gold at the Mint price,
 “ a security against fluctuation in the value of the
 “ paper currency will be provided, of the same
 “ nature with that *which payments in specie afforded*
 “ previously to the Restriction Act. If the issues
 “ of the Bank shall, at any time, exceed the amount
 “ to which they must be limited, in order to main-
 “ tain their value on a par with gold, the Bank
 “ *will be subjected to an immediate demand* for gold,
 “ and will naturally have recourse, as before the
 “ Restriction, to the contraction of the issues of
 “ their paper.

“ The chief recommendation of this plan, in the
 “ opinion of the Committee, is, that it will enable

“ the Bank to pay their Notes in gold at a much
 “ earlier period than they could pay them in the
 “ present gold currency. There cannot, while
 “ this plan is acted upon, be any demand for gold
 “ for the purposes of internal circulation; and
 “ whatever quantity it would be necessary to pro-
 “ vide with the view of replacing the small Notes
 “ at present in circulation, may therefore be dis-
 “ pensed with. *That portion of capital, which must*
 “ *otherwise be applied to the purchase of an expensive*
 “ *and unproductive instrument of commerce, will be*
 “ *left available for the employment of productive*
 “ *labour*; or at any rate, time will be afforded,
 “ during the operation of the plan, for the gradual
 “ abstraction of that capital, and for the accumu-
 “ lation of such a stock of the precious metals, as
 “ may enable the Bank with perfect safety to
 “ supply a metallic currency.

“ In speaking of this plan, Mr. Baring observes,
 —“ under such a system, the whole amount of
 “ Bullion that would be required, must be that
 “ amount which the Bank would be under the
 “ necessity of keeping for the purpose of balancing
 “ the variations that may, from time to time, occur
 “ in the amount of currency, which, at different
 “ periods, the state of the country may require;
 “ and farther, any amount which the public may
 “ be disposed to hoard. I should not think that
 “ the amount so required by the Bank could much
 “ exceed five or six millions, because I should not
 “ think that the contraction and expansion of cur-

“ rency, at different periods, could go much beyond
 “ that amount. Hoarding would go certainly to
 “ a less extent than under a system of coin, be-
 “ cause there could be no small hoards, and per-
 “ sons would be less disposed to hoard larger
 “ sums, when they had not the means of issuing
 “ them as currency, if they should be disposed to
 “ do so, otherwise than by selling or carrying them
 “ to the Bank. Under these circumstances, I
 “ should incline to think, that ten millions of
 “ Bullion would be abundant for every purpose;
 “ but it is difficult to speak with accuracy of an
 “ untried plan.

“ With respect to the preservation of the stand-
 “ ard value, *Mr. Baring states that he is quite con-*
 “ *fident, that the standard of the country, and of*
 “ *course the par value of the paper, would be pre-*
 “ *served in much greater purity than under any*
 “ *system of coin.*

“ Mr. Holland delivered a paper to the Com-
 “ mittee, in reference to the plan of Bullion pay-
 “ ments; in which he thus expresses his opinion:
 “ —I can venture to assert, as a practical man of
 “ business, that there will be little, if any difficulty,
 “ in carrying it into effect: that it will not unne-
 “ cessarily cramp circulation; that it will not
 “ impede the ordinary measures, either of Govern-
 “ ment or the mercantile community, *but that, on*
 “ *the contrary, it will restore order and harmony to*
 “ *the system, and give to the country, what all parties,*
 “ *who wish its welfare, desire—a safe and efficient*

“ standard of value ; variable, it is true, in a certain degree, but less variable than any standard which any country has ever yet established.”

With such strong opinions in the value of this system, it was natural that Government, for these Reports expressed the views of Government, should have entertained the idea of rendering it permanent. To come as near perfection as possible was all that was attainable ; and having arrived at this point, voluntarily to recede from it would have been absurd ; at least, should these opinions be confirmed by the experience of the few years for which the plan of Bullion payments was proposed in the first instance. Hence the Committee of the Commons, though they guarded themselves against being supposed to give this system a preference over that of coin, for fear, possibly, of existing prejudices, said nothing about the withdrawal of the small Notes. While the Committee of the Lords observe as follows. After mentioning that the plan was only proposed as a temporary one, they state—

“ After the attainment of this first and great object, many important questions will still remain to be determined by the Legislature respecting the system upon which our currency, when regulated by a metallic standard, may, in other respects, with most advantage, be ultimately and permanently founded. But in these points, the Committee think they should have exceeded the limits of their duty, if they had ventured, at the

“ *present period, even to form, much more if they*
 “ *had submitted to Parliament, any final or decisive*
 “ *opinion.*

“ Whether the whole of our circulation and
 “ currency shall thenceforth be replaced either
 “ entirely on its ancient footing, or with what
 “ degree of alteration, particularly in respect of
 “ the smaller Notes, the issue of which was for-
 “ merly prohibited ; whether the payments of the
 “ Bank shall be made at their option in bullion or
 “ in coin ; or those payments continuing to be
 “ made in Bullion only, the Mint shall be open to
 “ the public for coining such Bullion into gold
 “ coin, with or without a signorage or brassage ;
 “ or whether, with a view to realize to the coun-
 “ try a profit equal to the whole value of the gold
 “ employed as dead capital for the purpose of
 “ circulation, an endeavour shall be made to con-
 “ fine the whole of our currency (except for the
 “ small payments now made in silver) to paper
 “ only, but to paper regulated by convertibility
 “ into Bullion ; these, with the numerous details
 “ connected with, and dependent on them, are
 “ points, upon which the House will find much
 “ useful information in various parts of the evi-
 “ dence contained in the Minutes, and upon which
 “ the Committee are satisfied that a better judg-
 “ ment than can be formed at present will be de-
 “ rived from the experience of the operation of the
 “ plan immediately in question.”

Consistently with this view of the desirableness

of waiting the result of the experiment about to be tried, they proposed that the Bank should be ordered to pay in gold Bullion, only subject to a year's notice, should Parliament think proper, at any time, to require it to pay its Notes in coin; such notice not to be given before the 1st of May, 1822; that is to say, that the system recommended should be continued to the 1st of May, 1823, at any rate, and indefinitely, should Parliament not hereafter resolve otherwise.

It was thus obvious that Government had not, at this period, made up their minds to return to a metallic circulation in lieu of small Notes. The Committee of the House of Lords thought it was a subject upon which it would be presumptuous for them to form an opinion, much less to give one; nor was it a question which the return to cash payments necessarily involved. The two questions, as before observed, were the subjects of different Acts of Parliament, and, it may be remarked, were not only, not the same questions, but very opposite to each other. The one was whether the existing circulation should be rendered payable in cash; and the other, whether we should have cash instead of the existing circulation for a part of it, at least; and if for a part, why not for the whole? These Committees were inclined to the opinion that a circulation payable in cash was preferable to a cash circulation. But an experiment was about to be tried, which would determine the matter.

Besides these, there were other considerations of expediency to be consulted previously to restoring the circulation to the state in which it had existed before 1797, were such restoration desirable, which would have prevented their coming to any determination on the subject at this period.

The great obstacle to returning to cash payments was the want of a sufficient supply of gold, but it would require three times as much more to return to a cash circulation, as merely to pay in cash. Ten millions of gold would be an ample stock for the Bank to possess in the one case, and they had, at the time, three or four millions on hand; so that, probably, not more than six or seven millions would be required; but twenty millions additional, at least, would be required, if the small Notes were likewise withdrawn. The Committee of the House of Commons observes upon this point:

“ It is difficult to form any accurate estimate
 “ of the amount of gold in circulation previously to
 “ the year 1797; and conjectures with respect to
 “ that which will hereafter be required, must
 “ necessarily be more vague and unsatisfactory.

“ In the communication made to the Committee
 “ by the Court of Directors of the Bank, on the
 “ 25th of March, it is observed “ that the amount
 “ of specie in circulation before the war was
 “ variously estimated, even by the persons best
 “ qualified, from their situation, to obtain informa-
 “ tion. It seems, however, to have been agreed

“ that it was about thirty millions ; but whatever
 “ the amount, the whole has been exported.”

“ Mr. Harman states in his evidence, that the
 “ amount of gold in the country, previous to the
 “ restriction, had been estimated by the late Lord
 “ Liverpool at thirty millions. Mr. Rose stated
 “ it higher ; but, perhaps, if we were to take it at
 “ twenty millions, that might be about the amount
 “ which was in circulation previous to the Res-
 “ triction Act.” He adds that he thinks he is
 “ warranted in saying that if twenty millions,
 “ besides what remained in the Bank, was neces-
 “ sary for the scale of expenditure before the Res-
 “ triction Act, it is taking it moderately to con-
 “ tend that as much would be necessary now.”

Thus twenty millions was the lowest, but thirty millions the most common estimate of the amount in circulation previous to the Restriction Act. The extension of Banking, indeed, which had since taken place, might be the means of introducing Bank Notes where gold had previously circulated. But the wealth and population of the country had increased one third at least, which would render a proportionate enlargement of circulation requisite. The amount of Notes above five pounds had been increased in fully that proportion, although great economy, by the contrivances of Bankers, had been introduced in the use of them—an economy which could not be applied in any great degree to the lower description of circulation. The use

of money may be diminished by the contrivance of the clearing-house, and by means of cheques, &c. in the payment of Bills, but not in the payment of wages, and transactions under the value of five pounds. Hence the extension of Banking would be more than met by the increasing population, and wealth of the country; and an additional demand for twenty millions was the least that could, with any prudence, be estimated as the result of withdrawing the small Notes.

Although it was assumed that if the Bank kept its issues sufficiently restricted, no demand upon it for gold would arise from paying in cash simply, and that paying in cash would consequently not render it necessary for it to possess a very large stock of gold, the Directors, full of apprehensions on the subject, thought otherwise; and deemed a repayment of ten millions of the debt due to them by Government necessary, in order to enable them to obtain the stock which would be required; and this they did not apprehend could be obtained, without such a contraction of issues on their part, as would create great pressure and inconvenience.

This, it must be observed, was anticipated from the preparation to return to cash payments alone; and great opposition by many was made to the measure on this view of it. But, of course, these apprehensions of Bank Directors, and of the opponents to the measure, would have been much increased, had any idea been entertained of with-

drawing the small Notes also ; for in that case the pressure must have been magnified three or four fold. There is, however, no reason for concluding that such a measure was contemplated. The Committee of the Lords, as we have seen, observed, with express reference to this question—

“ That after the attainment of this first and
 “ great object (the paying in cash) *many important*
 “ *questions* will still remain to be determined by
 “ the Legislature respecting the system upon
 “ which our currency, when regulated by a me-
 “ tallic standard, may, in other respects, with
 “ most advantage, be ultimately and permanently
 “ founded. But on these points the Committee
 “ think they should have exceeded the limits of
 “ their duty, if they had ventured, at the *present*
 “ *period, to form, much more if they had submitted*
 “ *to Parliament, any final or decisive opinion.*”

And there can be little doubt that it was intended to wait the result of the experiment about to be tried, both as to whether small Notes were preferable to gold, and, if not, whether gold could easily be obtained to supply their place. Notwithstanding this intention was so clearly entertained by Ministers, so far as these Reports express their sentiments, and was so reasonable and proper in itself, it is curious to remark, that it was enacted by Mr. Peel's Bill, that two years after the 1st of May, 1823, the period at which payments in coin, and therefore the period at which legally cash payments commenced, all the small

Note circulation in England should peremptorily be withdrawn. This enactment, however, took place indirectly, and did not appear on the face of the Bill.

Previously to 1816, the return to cash payments, and the withdrawal of the small Notes, had always been kept separate. They had always been the subject of different Acts of Parliament. One Act suspended cash payments, and another permitted the circulation of small Notes; but in 1816 they were united; and an Act (56 *Geo. 3. cap. 21.*) was passed, stipulating that the Act of the 17 *Geo. 3. cap. 30.*, which forbids the circulation in England of Notes under the value of five pounds, should become the law, two years after the return of the Bank of England to cash payments. This Act consequently rendered Mr. Peel's Bill not only a Bill for returning to cash payments, but for withdrawing the small Notes also.

Now this effect of the Bill was never mentioned by any party. It was neither mentioned in the resolutions upon which the Bill was founded, nor the debates which took place. Previously to the introduction of the Bill, the Chairman of each Committee proposed to their respective Houses a series of resolutions as the ground work of the proposed measure; and the debate, which would otherwise have occurred on the second reading of the Bill, took place on the passing of these resolutions.

In the Commons they were in substance, as regards the return to cash payments, as follows:

“ That it is expedient that a definite period
 “ should be fixed for the termination of the re-
 “ striction on cash payments; and that prepara-
 “ tory measures should be taken with a view to
 “ facilitate and ensure, on the arrival of that pe-
 “ riod, the payment of the Promissory Notes of
 “ the Bank of England in the legal coin of the
 “ realm.”

Then, after a resolution, that from the 1st of February, 1820, to the 1st of May, 1823, it shall pay in ingots of sixty ounces each. The concluding resolution on the point in question, is—
 “ That from the 1st of May, 1823, the Bank shall
 “ pay ITS Notes on demand in the legal coin of
 “ the realm.”

The resolutions being agreed to, a Bill or Bills were ordered to be brought in accordingly, by Mr. Peel, and the Chancellor of the Exchequer. The House of Lords, in the same manner, after resolving that for a given period, to be fixed by Parliament, the Bank should pay its Notes in ingots, further resolved—

“ That after the period shall have arrived, at
 “ which the Bank may be required to give gold
 “ in exchange for its Notes at the Mint price, a
 “ further period, to be fixed by Parliament, shall
 “ be allowed, and a certain notice given, before
 “ the Bank shall be required to pay its Notes in
 “ cash.”

Thus, nothing was said about withdrawing the small Notes, and as Mr. Peel's Bill did enact their withdrawal, it was not in conformity with the resolutions upon which it was founded.

Neither, as before observed, was the practical effect of the Bill in this respect noticed either by Ministers, or any other party. On the contrary, it was clear, from what Ministers did say, that they themselves had not anticipated that it would have any such effect. Lord Liverpool observed—

“ If he had been successful in bringing their
 “ Lordships to this conclusion—that they must
 “ return to the fixed and ancient standard of value ;
 “ if he had shown how little difference there was
 “ between the actual and the Mint price of bullion,
 “ and that a very small exertion would therefore,
 “ in all probability, effect that object without
 “ delay, he should think that he had done enough
 “ to persuade them to make that exertion. But
 “ it was the object of their Lordships' Committee,
 “ while they were anxious to obtain the great
 “ desideratum of replacing the currency on its old
 “ and established principle, to do so in a manner
 “ the most gradual, and the least likely to occasion
 “ even temporary inconvenience ; in short,
 “ to adopt such means of attaining the end in view
 “ as might divest the question, as much as possible,
 “ of every rational objection that might otherwise be advanced.

“ In consequence of this solicitude on the part
 “ of the Committee, they had adopted a plan,

“ which, whatever might be said against it in
 “ other respects, had at least the advantage of
 “ operating most gradually and insensibly, most
 “ effectually adopting, in practice, the principle
 “ of caution on which the Committee wished to
 “ proceed ; and yet their Lordships were told in
 “ the Petition which had recently been presented
 “ by a Noble Earl, that the measures in contem-
 “ plation, as recommended by the Secret Commit-
 “ tees of both Houses of Parliament, would tend
 “ to a forced, precipitate, and highly injurious con-
 “ traction of the circulation medium.”

Hansard's Debates, Vol. 15, p. 615.

He further observed :—“ There was one point
 “ of great importance, and to which he wished
 “ the more particularly to call their Lordships
 “ attention, because he knew that it was one
 “ which had made a greater impression on the
 “ minds of some persons than any other circum-
 “ stance. He meant the comparison of the cir-
 “ culating medium of the present day with the cir-
 “ culating medium of former times. The argu-
 “ ment, which at the first view was sufficiently
 “ captivating, he would endeavour to state in as
 “ strong a manner as he was able. It was assu-
 “ med that the circulating medium at this time
 “ was not greater than it was in 1797, antecedent
 “ to the Bank Restriction ; and it was asked
 “ whether it was possible that the circulation
 “ could therefore be excessive, or even sufficient.

“ Now he admitted that the whole circulating
 “ medium was not greater at present than in the
 “ year 1797, or in the year 1792, before the war :
 “ that the revenue had been augmented in the in-
 “ terval from sixteen millions to more than sixty
 “ millions : that the commerce of the country had
 “ tripled or quadrupled : that the agricultural
 “ and other transactions may have increased in
 “ equal proportions : and yet it was possible that
 “ the same amount of circulating medium which
 “ existed at the first period might be sufficient at
 “ the last, or might even be excessive, though he
 “ did not say that it was excessive at the pre-
 “ sent moment.

“ The whole fallacy of the argument to which
 “ he referred, had arisen from not considering the
 “ great difference between a metallic, and a paper
 “ circulation.”

Hansard's Debates, Vol. 15, p. 622.

He thus argues that less currency is required,
 because it is paper, and not because it is proposed
 to be metallic ; and he concludes his speech as
 follows :

“ He had now introduced this important sub-
 “ ject to the consideration of the House in all its
 “ different bearings. He felt most desirous that
 “ the House should concur in the Report, and
 “ recommendation of their Committee. They
 “ had proposed the plan which was now before
 “ the House, from a conviction that it would attain
 “ the desired object without material public in-

“ convenience ; they were deeply anxious that
 “ the country should return to some fixed stand-
 “ ard of value ; they were anxious to return to
 “ the ancient standard of value ; they were anxious
 “ to return to it with the least practicable delay ;
 “ they were anxious to return to it, with the least
 “ possible distress. It was because this plan
 “ appeared calculated to obtain the object by cer-
 “ tain, but progressive steps, that they had recom-
 “ mended it to the House. It insured an early,
 “ though not an immediate commencement, and
 “ that at a standard which now existed. The
 “ measures which were to follow, were all to be
 “ taken so gradually, *that the operation of the*
 “ *latter parts of the plan might take place almost*
 “ *insensibly*, even if the precaution of some con-
 “ traction in the circulation should be necessary
 “ for that purpose. His own persuasion was,
 “ that no such contraction would be necessary ;
 “ that most, if not all the inconveniences which
 “ might arise from the experiment, had been in-
 “ curred already ; and that, if Parliament would
 “ steadily adhere to the course recommended,
 “ they would see the ancient standard of the
 “ country restored without material distress to any
 “ class of his Majesty’s subjects.”

Hansard’s Debates, Vol. 15, p. 627.

By Mr. Peel’s Bill, the latter parts of the plan would create a demand for twenty millions of gold in one day. It is obvious that Lord Liverpool could never have spoken in this manner, and this is the

stile of all the Ministers, had he conceived that such was the effect of the Bill. The restoration of the standard, by rendering paper payable in gold, was evidently all that either the Ministers contemplated or Parliament authorised, and nothing was said about the small Notes, because nothing was intended regarding them. The Act of 1816, which gave this unanticipated effect to Mr. Peel's Bill, had been passed without debate: its existence had been forgotten, and was as unknown to the Ministers as to any other party. This is the only interpretation of the transaction, consistent with fair dealing on the part of Ministers, that can be given to it. It would have been little short of fraud to have introduced a Bill having an effect not contemplated by the resolutions upon which it was founded, without explaining such effect; and it is quite clear the Ministers would not knowingly have done so.

CHAPTER IV.

The View of the Agricultural Distress in 1822 by Mr. Attwood, and those who acted with him.—Sir James Graham's Work on Corn and Currency.

IN 1819, or rather in 1818, the depression of prices we have before spoken of commenced, and continued until 1823, which is generally known by the name of *the Agricultural distress*. For this fall, as before observed, two causes were assigned; one, that it was produced by too much corn; and the other, by too little money.

The first, indeed, was the natural opinion: because things generally fall in price either from excessive supply, or a reduced demand; and as there was no obvious reason why the demand should be reduced, an excessive supply seemed to many the only mode for accounting for it. But a fall of from eighty or ninety shillings to forty, could never take place from excessive supply, without the excess being obvious. Many persons would be able to say, that they did produce more corn than before, and the fact would be notorious. But no person did or could say any such thing. The diminished capitals of the farmers from the losses they had suffered had rather retarded cultivation than improved it, and the seasons of 1818, 19, 20, and 21, were not more than average ones. In 1817 and

1818 there had, no doubt, been considerable importations of foreign corn, but they were far from being equal to the deficiencies in the crops of 1816 and 1817; and the ports, after 1818, were totally closed against further importation. So that so far from any excess, the probability is that there was a deficiency.

This, however, was not supposed to be the case; though it was quite obvious there was no great abundance; and the Agricultural Committee of 1821, which investigated the subject, in order to account for the fall, adopted a somewhat whimsical hypothesis. As it was quite clear it did not proceed from a great excess, the usual mode in which an extraordinary depression from over supply is produced, they determined that it was caused by a little one. The population, they considered, could only consume a given quantity, and that all above this must be waste and unsaleable; that the price of this small quantity, which could not be consumed, and would not sell, would determine the price of the whole. One obvious answer to this was, that if such were the case, the small quantity would have been bought up long before the fall became so great, to be held over to more adverse seasons: for an equally small deficiency, it might be presumed, would have a corresponding effect in an opposite direction, and return the speculator a great profit. But the great absurdity was the assumption,—that all persons had had as much corn as they wanted;

whereas it was notorious that half the population were in a state of starvation.

In short, it was impossible to account for this fall on any principle of excessive supply, though the opinion was maintained by Tooke, Mr. Ricardo, and others, with great ingenuity and talent. But they were completely answered by Mr. Attwood, the present Member for Borough Bridge, who maintained that it proceeded from the Currency. He observed, in a Speech made by him in Parliament, on Mr. Western's Motion concerning the resumption of cash payments, in 1822,* that—

“ In the year 1818, the average price of wheat
 “ was 84*s.* per quarter ; and if the present price
 “ be taken at 47*s.*, that is, a reduction on wheat
 “ of 37*s.*, which is equal to a fall of £45. in every
 “ £100., or 45 per cent. The price of iron, in the
 “ year 1818, appears to have been £13. ; that price
 “ is now £8. per ton, and is equal to a reduction
 “ of about 40 per cent. The price of cotton, in
 “ 1818, was 1*s.*, and it has sunk to 6*d.*, per pound,
 “ and that is a fall of 50 per cent on cotton.
 “ Wool, in the year 1818, sold for 2*s.* 1*d.*, which
 “ now sells for 1*s.* 1*d.*, and there is, therefore, in
 “ wool a fall of nearly 50 per cent. The fall,
 “ therefore, that has taken place since 1818 in
 “ iron, in cotton, and in wool, is as great as the
 “ fall in wheat. It is 45 per cent. on an average
 “ of the three ; and that is precisely the fall in
 “ grain. These are our three great staple articles ;

* *Hansard's Debates*, vol. 7, page 965.

“ and this fact of the fall in price they have sus-
 “ tained, I recommend to the consideration of
 “ those gentlemen who tell us of an excessive
 “ production of corn, and of an excessive cultiva-
 “ tion of land. If corn has been produced in ex-
 “ cess, if the proof of that is to be found in its fall
 “ of price, doubtless there has been an equal ex-
 “ cess likewise in the production of these three
 “ great staple articles. But I will refer to a paper
 “ containing further information upon this subject;
 “ and which I am satisfied will be received as
 “ exhibiting a correct estimate of the general fall
 “ in prices which has taken place on the whole of
 “ our production and commodities. The paper
 “ to which I refer for this purpose will be found
 “ in the Agricultural Report of the last Session.
 “ It was delivered to the Committee by Mr. Tooke,
 “ and contains a list of the principal articles of
 “ commerce and manufacture, thirty in number,
 “ selected by that gentleman for the purpose of
 “ information respecting prices : and the prices of
 “ each commodity are given for several successive
 “ years, in the month of May in each year. I
 “ have caused the prices of these articles to be
 “ added to this Table, for the month of May, in
 “ the present year, also. The result which this
 “ Table exhibits is, that, since May, 1818, a great
 “ and general fall in these articles has taken
 “ place ; which fall cannot, on the whole, be
 “ taken to be less than the fall in the price of
 “ agricultural produce which has accompanied it.

“ Of these thirty articles there are two only that
 “ have experienced no fall. These are, indigo of
 “ two kinds, and their price has been supported,
 “ as I understand, by circumstances of an ex-
 “ tremely peculiar nature. The fall which has
 “ taken place between May, 1818, and May, 1822,
 “ in the prices of the articles contained in this
 “ Table, indigo excepted, is, if we take the lowest
 “ price marked in the Table in each period, and
 “ take away the direct tax, which exists on some
 “ of these articles, exactly 40 per cent.; and if we
 “ add to this 40 per cent., 5 per cent. more, for
 “ the difference between prices, as marked in
 “ tables, and those for which commodities can
 “ really be sold in the market, when the market
 “ is depressed and falling, that will give us an
 “ average fall of 45 per cent., which is precisely
 “ similar to the fall in grain.

“ There is no truth, therefore, in the opinion,
 “ that any fall in prices peculiar to agricultural
 “ produce has taken place. The fall in prices
 “ has been universal, and not particular. The
 “ leases of the tenants, the mortgages of the land
 “ owner, taxation pressing heavily on agricultural
 “ labour, but which the machinery of the manu-
 “ facturer lightens; all these will render the diffi-
 “ culties of the agricultural community more per-
 “ manent, perhaps, than those of the mercantile
 “ and manufacturing community; but they have
 “ not been more severe. Let the House consider
 “ what difficulties, as this Table shows, our mer-

‘ cantile and manufacturing industry has been
 “ exposed to. In the midst of this fall in prices,
 “ what operation in business could proceed with-
 “ out loss or ruin? There has been no form in
 “ which the capital of the merchant, none in
 “ which the capital of the manufacturer, could be
 “ invested without the half of it being sacrificed
 “ during this calamitous period. We have been
 “ thrown back upon a condition of society in
 “ which all industry and enterprize have been
 “ rendered pernicious or ruinous; and where no
 “ property has been safe, unless hoarded in the
 “ shape of money, or lent to others on a double
 “ security.

“ The Honourable Member for Portarlington,
 “ (Mr. Ricardo) in referring to this Table on ano-
 “ ther occasion, I think told us, that Mr. Tooke
 “ was able to point out several circumstances,
 “ which had tended to lower the price of many
 “ of these articles. I do not in the least doubt it.
 “ The price in the market of every particular
 “ commodity is fixed by the influence of a great
 “ variety of contending circumstances,—some
 “ tending to advance, and some to depress that
 “ price. I doubt not but Mr. Tooke could point
 “ out numerous circumstances, that have affected
 “ the prices of every one of these commodities;
 “ and have contributed both to depress, and to
 “ support them. But the question is not as to
 “ what has affected the price of any particular

“ commodity. The question is, whether this list
 “ is to be received for that purpose for which it
 “ was given; as containing an indifferent, and
 “ impartial selection from the general mass of our
 “ productions and commodities; and exhibiting
 “ in its results a fair estimate of the fall in price
 “ on that general mass? That I see the Honourable
 “ Member for Portarlington admits. This Table
 “ shows what the general fall in price has been.
 “ Let us see then to what conclusion this brings
 “ us. Either the quantity of all commodities has
 “ been increased, or the quantity of money has
 “ been diminished; one of these we must of
 “ necessity admit; for the proportion is altered.
 “ There is either an increase in the general quan-
 “ tity of commodities, or a reduction in the quan-
 “ tity of money. And are we to believe that the
 “ general quantity of commodities has increased;
 “ that a great augmentation has suddenly taken
 “ place in all the produce of all labour; that all
 “ industry has become suddenly more skilful and
 “ efficient; and the produce of all soil more abun-
 “ dant? If we could believe that, indeed, then
 “ we might look on our present difficulties as
 “ necessarily attending the introduction of a
 “ better state of things; as the sure precursor of
 “ an age more prosperous than this country has
 “ yet experienced. But it is impossible to enter-
 “ tain such a belief. It is impossible to believe
 “ that any great and sudden augmentation of com-

“modities has taken place. It is the quantity of money that must of necessity have been reduced.”

Than this, nothing could be more conclusive. That a general reduction in the price of all commodities, amounting to nearly one half, should take place in three or four years, from increased production, was inconsistent with all experience; and it would not only have been generally known as the cause had it been true, but it would have been felt as beneficial. If people had found themselves poorer in money, they would have been richer in monies worth—in the necessities and luxuries of life.

The idea, however, that things were cheaper from abundance alone, was confined chiefly to speculative enquirers, and did not extend to the producers. The agriculturists, in particular, by whom excessive production would be more easily traced, had it occurred, were unable to account for the fall on any such principle.

But those appearances which were unaccountable on the one principle, were the natural result of the other. If the fall was produced by a contraction of the currency, it would become general, and present the results which Mr. Attwood pointed out. Hence it was rendered pretty clear by that Gentleman that the fall did proceed from the currency. His arguments on this point were unanswered and unanswerable.

His views, also, as to the cause of the contrac-

tion, were, on every received principle, almost as indisputable. On this point he observes—

“ I now beg the attention of the House to a consideration of what that reduction has been; how it has been effected; and how it corresponds with the fall in monied prices which it has occasioned.

“ *The monied circulation of this country has rested on that of the Bank of England.* The amount of the Notes of the Bank in circulation, at the period immediately preceding this fall of prices, appears to have been from about twenty-nine to thirty millions, that is the average amount in circulation for the last half year of 1817. If we take a view of the amount of Bank Notes in circulation, from this time downward, and observe the amount in the middle of each quarter, which affords, as appears by the evidence of Mr. Harman, the best comparative view—a gradual and systematic reduction will appear to have commenced.

	£.	
“ The amount in August 16, 1817, is	30,100,000	86s.
“ It was reduced by Nov. 15, 1817, to	29,400,000	80s.
“ And continued as follows :—		
“ February, 1818	28,700,000	85s.
“ May	28,000,000	86s.
“ August	26,600,000	79s.
“ November	26,000,000	82s.
“ February, 1819	25,600,000	80s.
“ May	25,900,000	72s.
“ August	26,000,000	74s.

	£.	
" November	24,000,000	61s.
" February, 1820	24,000,000	65s.
" May	23,900,000	70s.
" August	24,400,000	72s.
" November	23,400,000	57s."

Assuming that the country circulation rests upon that of the Bank, and assuming, also, that a contraction by the Bank must have a little time allowed it to operate upon the general circulation of the kingdom, before it can affect prices; this Table of the contraction of the issues of the Bank, to which I have attached the price of wheat, for the corresponding periods, would, so far as it extends, establish the position—that whatever might have induced the Bank to contract their issues, it was the contraction of their issues which had produced the fall. Mr. Attwood, however, observes:

" At this period, (namely the period to which
 " the Table extends,) the joint circulation of One
 " Pound Notes and Sovereigns has rendered a
 " further comparative estimate in this way taken,
 " uncertain and obscure. I would refer, there-
 " fore, to the mode of estimation adopted by the
 " Honourable Member for Portarlington (Mr.
 " Ricardo), for the purpose of bringing a com-
 " parative view of the circulation of Bank Notes
 " down to the present time; which method is, to
 " exclude from the account all One Pound Notes,
 " and all Notes but those of Five Pound and up-
 " wards, and payable on demand; and this
 " method of computation does, as I perfectly

“ agree with him in thinking, give a fair comparative view of the circulation down to the present period.

“ The amount of Bank Notes in circulation, in this way taken, appears :—

Notes of Five Pound and upwards :

	£.
November, 1817	19,600,000
November, 1818	16,900,000
November, 1819. This account is not before the House.	
November, 1820	15,300,000
November, 1821	14,800,000
May, 1822	14,600,000 ;

“ and the amount appears to have been now reduced somewhat below this last sum.”

In explanation of the necessity for this mode of computation, it must be stated, that simultaneously with the passing of Mr. Peel's Bill, and the general fall in prices that had occurred, an influx of gold into the country had commenced, and continued to a greater extent than was ever before known; and that the Bank of England availed itself, in the year 1821, of this opportunity of paying off its One Pound Notes, and substituting Sovereigns for them. Hence, no comparative statement of the circulation of the Bank would be correct, which did not take in the Sovereigns or exclude the One Pound Notes. And this latter, Mr. Attwood thought the most correct mode. He then further observes :—

“ That nothing can be more regular, gradual,
 “ and uniform, than this reduction in the quantity
 “ of money, thus exhibited and commencing at a
 “ period immediately preceding the commence-
 “ ment of the fall in monied prices. It was
 “ altogether a forced and systematic contraction.
 “ It did not take place in consequence of the fall
 “ of prices: it preceded it.

“ We see then a regular, systematic reduction
 “ of the *Notes of the Bank, our legal money, on*
 “ *which the whole of our circulation depends*; and
 “ that reduction followed by an equally regular
 “ fall of prices; but the one is in greater propor-
 “ tion than the other. Prices have fallen more
 “ than Notes have been reduced. The reduction
 “ of Bank Notes is one fourth, or one fifth; and
 “ the fall in prices has approached nearly to one
 “ half; and the Honourable Member for Portar-
 “ lington denies that prices will fall, except in
 “ proportion to the reduction of money. But I
 “ beg him to consider that, first, we have the fact
 “ plainly before us: and that to facts we must re-
 “ concile our theories as well as we are able.”

In the absence of any other mode of accounting for the fall of prices, with reference to the Currency, I must confess this argument was conclusive. In throwing the small Notes out of the computation, Mr. Attwood was wrong. Too little was known of the effects produced by Notes of different denominations, upon prices, to enable him to deal with the Currency, except in the gross;

and the returns to Parliament showed that the circulation of the Bank amounted, in 1818, to thirty millions; and in 1821, before the small Notes were withdrawn, to twenty-four millions, making a difference of six millions. Though a greater amount of gold had been put into circulation than the amount of the small Notes of the Bank, which had been subsequently withdrawn; yet it was always anticipated that this would be necessary. That a certain demand throughout the kingdom, for hoarding, would arise immediately that the gold was put into circulation. Many people like to have a few sovereigns by them, who have no passion for hoarding in the abstract; and as for nearly twenty years, every piece of gold that could be obtained had been bought up, and sent out of the country, there was hardly a guinea left, where hundreds would otherwise have been found. It was, therefore, naturally expected, that when gold came into circulation, a considerable quantity would be absorbed in this demand for hoarding on a small scale. Without, therefore, an increase of the larger Notes, it was incorrect to compute the coin issued to be more than adequate to the small Notes displaced. This would leave the circulation of 1822 the same as in 1821,—about twenty-four millions.

Now, according to the doctrine of the Bullion Committee, which was maintained by Mr. Attwood, and universally admitted, the issues of the Bank of England affected those of the Country Banks

to a greater extent than its own. The Committee observes—" If the Bank of England paper itself
 " should, at any time, during the suspension of
 " cash payments, be issued to excess, a corre-
 " sponding excess may be issued of Country pa-
 " per, which will not be checked ; the foundation
 " being enlarged, the superstructure admits of a
 " proportional extension, and thus, under such a
 " system, the excess of Bank of England paper
 " will produce its effect upon prices, not merely
 " in the ratio of its own increase, but in a much
 " higher proportion." And, by consequence, its
 contraction would have a corresponding effect in
 reducing them.

Mr. Attwood equally maintained this doctrine. He observes in the same Speech—" These Notes
 " (the Notes of the Bank of England) form the
 " basis, and limit the amount of all that vast mass
 " of circulation of paper money and paper credit
 " of whatever kind, by which all the pecuniary
 " transactions of the country are carried on, and
 " all prices supported and fixed. The amount of
 " this mass of paper and of credit, the prices it
 " supports ; all these advance or sink, as these
 " Notes are in this way increased or reduced.
 " We have accounts which show that a propor-
 " tionate reduction in the Notes of the Country
 " Bankers has followed this diminution of Bank
 " of England Notes."

Thus, Mr. Attwood proved incontrovertibly, first, that the fall in prices did proceed from a

contraction of the Currency. And, next, he showed that the Bank of England had contracted its issues ; and that the Country Banks had done the same in, probably, a greater degree, which was not disputed. He naturally, therefore, concluded, that the contraction of issues by the Bank had produced the fall in prices ; and it is difficult to conceive how those that subscribed to the doctrines of the Bullion Committee could, at the time, avoid coming to the same conclusion. They must have admitted the effect of an enlarged circulation, in raising, and of a contracted circulation in lowering prices. They must have admitted that the issues of the Bank of England regulated those of the whole kingdom. They must have admitted that a contraction of the issues of the Bank would affect prices, not merely in the ratio of such increase, but in a much greater proportion. And they must have also admitted, for the fact rested in the returns furnished to Parliament by the Bank of England itself, that a contraction of the issues of the Bank had taken place, which they could not, on any received principle, in the absence, at least, of further enquiry, affirm was not sufficient to have produced all the effects which had been experienced.

These observations of Mr. Attwood are extracted from a Speech of his, made in a Motion for a Committee of Enquiry, which was not granted, though it ought to have been. On such occasions, the least that can be done is to collect facts. The

best way to put down wrong theories, is by facts. But Ministers dare seldom enter upon such enquiries, unless some one has previously pointed out to them the practical conclusions they are to arrive at; and the repeal of Mr. Peel's Bill, or an alteration in the standard, was the only remedy proposed, and to neither of these would they consent.

These views were also maintained with great ability by Mr. Western, and others; but the speeches of Mr. Attwood on the subject, are the most argumentative, and go most directly to the chief points of the question, and are such as a writer must necessarily refer to.

Mr. Attwood further contended, that if Mr. Peel's Bill were persevered in, and the Bank of England continued to pay its Notes in gold, on the same terms, in all respects as before the Restriction Act of 1797, neither it nor the Country Bankers could keep more Notes in circulation than would be sufficient to maintain the level of prices that existed previously to that era. That the high prices, during the war, had been the mere result of a depreciation of money, and that restoring the circulation to the same state as had previously existed, would bring prices to the same state also, namely, to an average, the maximum of which would not exceed 50s. per quarter for wheat, and other things in proportion. Corn Laws, he contended, had not prevented the fall which had occurred, and could not have done so: that the price

of corn, in gold, could never by any laws be made to exceed 50s. per quarter on an average of years : that the bulk of our taxes were imposed, and the chief part of the pecuniary engagements of society, contracted during the Restriction Act, when corn was at 100s. per quarter, and other things in proportion, and money, of course, at one half the value to which it had been, and would continue to be reduced by Mr. Peel's Bill ; and that justice and necessity required, consequently, if the Bill were persevered in, that some measures should be adopted to counteract the injustice to individuals, and the effect of the additional pressure of taxation upon the community, which it had and would continue to cause.

These views, though clearly enough expressed, are scattered through long debates, and could only have been fully understood, in all their bearings, by those who would take the trouble of regularly pursuing the subject through these debates, in the cumbrous volumes in which they are contained. But since the period we are now speaking of, they have obtained a powerful advocate in Sir James Graham, who, in an address to the landlords, contained in a small Pamphlet, entitled " Corn and Currency," published in 1826, collected them, reduced them to system, and rendered the subject not only clear, but, by the graces of a happy and eloquent style, even agreeable. Sir James does not profess to have made any new discoveries. He examines the existing views and

arguments upon the subject, and adopts those which afford to him the best explanation of the fluctuations which have occurred; and he unquestionably has adopted, by far, the most rational of any proposed—views which were perfectly unanswerable on any received principles. To prove their fallacy, it would be necessary to point out some other cause for these fluctuations not yet discovered.

CHAPTER V.

The Country Bank circulation governs prices, and not that of the Bank of England.—The Error of the Lords Committee on Cash Payments, in 1819.—The assumed influence of the Bank of England over the Currency, disproved.—The influence of capital, and its effects upon the Country Bank circulation explained.—The assumed power of the Bank of England, in regulating the issues of the Country Banks, in reality a means of facilitating fluctuation.—The Country Banks could buy up the whole National Debt with their Notes, upon the most legitimate principles of Country Banking.

As has been observed, it was impossible to impugn the correctness of the view given in the last chapter, of the cause of the agricultural distress, without impugning some of those doctrines in which all parties concurred, more especially that of the regulating power and influence of the Bank of England. It could never be admitted, that the Bank had the power attributed to it over the country circulation and over prices, without admitting, in the absence at least of any more rational explanation than had otherwise been afforded, that the fall of prices in question had been produced by its operations. If the fall, therefore, were to be accounted for on any other principle, it must be an entirely new one; for nothing more satisfactory had been proposed, however unpalatable the practical

conclusions might be, to which such views might lead.

I propose now, however, in the first place, to show, that this doctrine of the regulating power of the Bank of England is erroneous, in the sense at least in which it was understood, and that the agricultural distress, though proceeding from the Currency, was produced by the agency of a principle which had not been discovered.

With this view, it will first be necessary to ascertain the relative influence of the circulation of the Bank of England upon prices, respecting which very erroneous impressions are entertained.

The Bullion Committee, in an extract we have already quoted, observes:—

“If an excess of paper be issued in a country district, while the London circulation does not exceed its due proportion, there will be a local rise of prices in that country district.” They then go on to say, “But prices in London will remain as before. Those who have the country paper in their hands, will prefer buying in London, where things are cheaper, and will, therefore, return that country paper upon the Banker who issued it, and will demand of him Bank of England Notes, or Bills upon London; and thus the excess of the Country Bank paper being returned upon the issuers for Bank of England paper, necessarily and effectually limits the quantity of the former.”

It thus appears, from the Report of the Bullion Committee, that an excess of paper, issued in a

country district, will produce a local rise of prices, &c.; and that, consequently, prices in the country are affected by the country circulation, independently of that of the Bank of England. It is, therefore, a part of the doctrine in question, that the Bank of England can only act upon prices in the country, through the country circulation.

It may be also proper to observe, that the local rise of prices referred to, could only be a rise in the necessaries of life, through a demand for labour. Manufactured commodities are much more slowly acted upon, and a small difference in their price would make but little difference in their consumption. Whereas, a variation in the price of corn and cattle is more easily produced, and has an immediate effect in turning the channels of supply from one place to another. One or two shillings per quarter for wheat, or sixpence per stone on beef and mutton, over other markets, would bring to any particular market additional supplies to any extent, and *vice versa*.

Now the circulation of the Bank of England is confined to London and Lancashire, while the circulation of the Country Banks embraces all the rest of the kingdom; and as the consumption of the rest of the kingdom is much greater than that of Middlesex and Lancashire, so the immediate influence of the circulation of the Country Banks, according to the doctrine of the Bullion Committee, must be greater in its effect upon the average prices of the kingdom than that of the Bank of England.

The Lords Committee of 1819 did not consider this. In estimating the circulation, with reference to prices, they added the two circulations together, and drew their inferences from the sum total; besides leaving out Ireland altogether. This was a great mistake. Nothing could be more calculated to produce obscurity and error; for though the circulation of the Bank of England equals in amount that of the whole United Kingdom, that of the United Kingdom cannot have less than five times the effect upon prices generally.

The population of the whole kingdom, in round numbers, by the census of 1821, was 22,000,000, that of Lancashire, and London, united, about 2,000,000*; and if we estimate the consumption of the inhabitants of the latter, at twice the amount of the average of the rest, it still renders the effect of the circulation of the Bank upon prices equal to not more than a fifth of the whole. Hence the issues of one million of Notes by the Country Banks, would have four times the effect upon prices of one million issued by the Bank of England. If, therefore, the Country Banks were to increase their issues, it would raise prices, though the Bank of England should reduce its circulation in an equal degree. For instance, we shall say, that the effect of an increase or decrease of £1,000,000. of issues, by the Bank of England, upon the aggregate price

* The last census was not published when this was written; but the proportions will doubtless be the same.

of wheat throughout the empire, would be one shilling per quarter; the effect of one million of Country Bank Notes would, by the same rule, be four shillings. If, therefore, the Country Banks decreased their issues one million, it would lower the price of wheat four shillings, while an increase of one million, by the Bank of England, would raise it one. The fall of four shillings would thus be counteracted by a rise of one, making a fall of three. Whereas, the Committee of Lords, by summing the two circulations together, would evince, that there had been no alteration in the Currency; and thence infer, that this fall of three shillings must have been produced by some other cause.

It must thus be obvious, upon the showing of the Bullion Committee itself, that the immediate effect upon prices, so far as they are acted upon by the Currency, must be chiefly caused by the issues of the Country Banks. Now this corresponds with the fact, so far as we have the power of ascertaining it. The following gives the demand for stamps at the Stamp Office in each year, as far back as any distinct account of such demand is preserved, together with the average price of wheat.

TABLE, No. 1.

Annual Demand for Stamps by the Country Banks. Average price of Wheat per Quarter.

	£.	
1810	10,519,519	105s.
1811	8,792,433	93s.
1812	10,577,134	125s.
1813	12,615,509	107s.
1814	10,773,375	74s.
1815	7,624,949	64s.
1816	6,423,466	75s.
1817	9,075,958	94s.
1818	12,316,868	83s.
1819	5,640,313	72s.
1820	3,574,894	65s.
1821	3,987,582	54s.
1822	4,217,341	43s.
1823	4,657,589	51s.
1824	6,093,367	62s.
1825	8,532,438	66s.

It must be observed, the price of corn is frequently acted upon by the state of the supply, as well as by the Currency; and, likewise, that an increase or diminution in the demand for stamps, for any year, does not at all times show, with perfect accuracy, the increase or diminution of the actual circulation in that year. In order to show this correctly, it would be necessary to know, not only the amount of new Notes made, but the amount of old Notes worn out in such year; and of this we have no means of forming a very accurate estimate.

But this Table, though presenting some discrepancies, as might, from these causes, be anticipated, sufficiently proves that intimate connexion between the rise and fall of prices, and the variation in the issues of the Country Banks, which we might expect. But if we institute a similar comparison between the circulation of the Bank of England, and the price of wheat, we shall find no such correspondency.

TABLE, No. 2.

<i>Circulation of the Bank of England.</i>		<i>Average price of Wheat, per Quarter.</i>	
	£.		
1811, January to June	23,471,297	} 93s.	
July to December	23,094,046		
1812, January to June	23,123,140	} 125s.	
July to December	23,351,496		
1813, January to June	23,939,693	} 107s.	
July to December	23,107,445		
1814, January to June	25,511,012	} 74s.	
July to December	28,291,832		
1815, January to June	27,155,824	} 64s.	
July to December	26,618,213		
1816, January to June	26,468,283	} 75s.	
July to December	26,681,398		
1817, January to June	27,339,768	} 94s.	
July to December	29,210,035		
1818, January to June	27,854,558	} 83s.	
July to December	26,487,659		
1819, January to June	25,593,223	} 72s.	
July to December	24,697,407		
1820, January to June	23,921,315	} 65s.	
July to December	23,692,301		
1821, January to June	23,522,693	} 54s.	
July to December	19,632,655		

From this Table, which, as it includes the small Notes, cannot be carried beyond June, 1821, it will be seen, that, except from 1818 to 1821, there happens to be no correspondency at all. That from 1812 to 1816, there was a considerable increase in the issues of the Bank of England, though the fall in corn was greater than had before been known. Whereas, if we turn to the previous Table, we shall find that the falling off in the demand for stamps, by the Country Banks, in that period, was very considerable.*

It will thus be apparent, both from the theory of the Bullion Committee, and the evidence of facts, that notwithstanding the numerical amount of the Notes of the Bank of England, its direct influence on prices is very limited, compared with that of the circulation of the Country Banks. The reason of this will also be obvious on a little further consideration.

The circulation which affects the price of corn, must evidently consist of money of the smaller denomination. The consumers of bread do not purchase it with thousand pound notes; and it is the price of labour, and of the necessaries of life, that originally determines the value of all other things. Now the country circulation chiefly consists of Notes from ten pounds, down to the lowest denomination permitted

* The year 1816 shows an increase in the average price of corn, but this arose from a great failure in the crop of that year. In the early part of it, wheat was only 52s. per quarter, whereas, in December, it was twice that price.

by law to circulate. This will be seen by the demand for stamps. In the year 1817, the demand, as appears by the Lords' Report of 1819, on cash payments, was as follows:—

TABLE, No. 3.

Proportion of different Notes circulated by the Country Banks.

One Pound Notes	.....	2,953,920	
Two ditto	.....	99,948	
Five ditto	.....	3,086,190	
Ten ditto	.....	2,043,540	
		<hr/>	8,183,598
Twenty ditto	.....	728,580	
Thirty ditto	.....	13,230	
Fifty ditto	.....	12,750	
One Hundred ditto	.....	137,100	
		<hr/>	891,660
		<hr/>	<hr/>
			£9,075,258

From this it will be seen, that of nine millions of Notes, taking them in round numbers, only one million consisted of Notes of the value of Twenty Pounds and upwards. The proportion of large Notes issued by the Bank of England, is very different. In June 1st, of the same year, it appears by the same Report, that the circulation of the Bank consisted as follows:—

TABLE, No. 4.

Proportion of different Notes circulated by the Bank of England.

	£.	£.	£.
Notes under the value of 5 ..	7,773,710		
Notes of the value of 5 ..	3,120,130		
ditto 10 ..	3,637,670		
			14,531,510
Not exceeding the value of 20 ..	1,822,340		
ditto 30 ..	667,860		
ditto 50 ..	1,824,000		
ditto 100 ..	1,406,620		
ditto 200 ..	643,390		
ditto 300 ..	611,820		
ditto 500 ..	570,400		
ditto 1,000 ..	3,702,190		
Bank Post Bills	1,389,260		
			12,637,780
			£27,169,390

Thus, of twenty-seven millions, taking them in round numbers, the Notes of £20. and upwards amounted to twelve millions and a half, and of this nearly four millions consisted of Notes of one thousand pounds each. To account for this apparently undue proportion of large notes, it must be remembered, that London is the centre of the chief part of the larger commercial payments of Great Britain ; the place where all large properties in land, &c. are transferred and paid for ; where the public

funds are sold and purchased ; where the taxes are ultimately received, and the dividends and payments of Government originally made ; and besides all this, it is a great centre of commercial and monied payments for Europe, and other parts of the world. These payments chiefly consisting of large sums, will naturally require large Notes to effect them. But, as before observed, this description of circulation does not affect prices.

A circulation employed in making payments between Russia and America, or between buyers and sellers, either of land, stock, or any other property, can have little to do with the price of corn, and the demand for labour. Neither has that money any effect on prices, which is employed in making the payments between dealer and dealer. There are bills to the amount of five millions sterling paid at the bankers clearing house in London every day, or about fifteen hundred millions every year, with only about £200,000. of Notes. Now, if the circulation were ever so much enlarged or contracted, until the enlargement or contraction had affected the value of the commodities for which these Bills were drawn, it could not alter the amount of money required to pay them. Whereas, in consumptive circulation, the money accommodates prices to itself, either by raising or lowering them to a due proportion, with any alteration which may have taken place in its amount.

It is in settling these large transactions that higher Notes are thus required ; and they cannot force their

way into circulation, and act upon prices in the same manner, as Notes of a lower denomination. If indeed the Banks were to issue an excess of large Notes, it would be the same, in its ultimate effects, as if they issued small Notes in the first instance; but it would be so, because the large Notes were exchangeable, on demand, for small Notes or coin; and not until they had been so exchanged, would prices be affected by them. A large Bank Note is like a bar of Gold Bullion, valuable, because it can be broken down into small money; and more useful, because it will pass current as money, without the trouble of either coining or counting; but if it could not be broken down, it would not be money at all.

This, also, leads me to observe, that it has frequently been contended, that Bills of Exchange are Currency, and affect prices as well as Bank Notes and coin. This, however, is an error; nothing is money that is not immediately exchangeable for other commodities, and divisible into smaller parts. A Bill is frequently as good as money to the party holding it, less the discount. But it is so, because he knows he can, by paying the discount, borrow other people's money upon it. But if it were not a security upon which he could easily borrow other people's money, it would not be as good as money to him. It is not, therefore, money, it is only a good kind of security upon which to obtain it. Bills, by creating promptitude, and facilitating payments, may very much economize the use of money, but are not money themselves. In the country, indeed,

Bills upon London bear more the character of money than in the Metropolis; and in Lancashire, sales and purchases are frequently made for payment, at a particular period, in such Bills. But this is always the result of a special contract, and renders the Bill no more money, than a horse would be, if exchanged for its value in hay. If money only be expressed, money only, that is coin, or Bank Notes must be paid.

This system of payments was, no doubt, the result originally of the scarcity of money in Lancashire, where the borrowers exceed the lenders. The Bankers not being able to discount all the Bills presented to them for cash, and not issuing their own Notes, compelled their customers to take a portion of their Bills upon London, at two months, instead of cash, and these being a preferable security upon which money could easily be obtained, not only in Lancashire, but in London, they were practically as good as cash, less the discount and commission which would have to be paid, in order to obtain cash for them. Hence, to suit the convenience of the Bankers, a system of payments came to be made in them. But now that capital is more plentiful, I believe, the system is much broken up, if not done away.

These Bills, however, were never the same as cash; nor could the amount of them in circulation ever affect prices, unless it were by inducing Bankers to issue their Notes upon them. But, in Lancashire, where they were supposed to be a substitute for money, the Bankers did not issue Notes.

In comparing the amount of the circulation by which prices are affected, we must strike off all Notes of twenty pounds and upwards. This would leave the consumptive circulation of the Bank fourteen millions and a half. From this, however, must be deducted the stock of Bank of England Notes held by the Country Banks: of which, at this time, there were about eight hundred. If we take this stock at only ten thousand for each Bank, it makes a total of eight millions; which would consist nearly altogether of Ten Pound Notes, and those of a lower denomination: for the Banks would not keep large Notes to pay their small ones with. Hence, from the fourteen millions and a half, must be deducted eight millions, which would reduce the amount in actual circulation to six millions and a half.

Now the country circulation could not, in 1817, be estimated at less than twenty-four millions, and the Irish circulation at, say six millions. In all thirty. From this deduct one-ninth for Notes of Twenty Pounds and upwards, and the residue for effective or consumptive circulation, would be, say twenty-six millions and a half, or some where about that proportion, with the consumptive circulation of the Bank of England, which the consumption of the United Kingdom may be supposed to bear towards the consumption of London and Lancashire.

We have thus shown that the Country Bank circulation is that which must chiefly affect prices, and not that of the Bank of England. 1st. From the doctrine of the Bullion Committee. 2d. From a

comparison of the issues of the Country Banks, and those of the Bank of England with prices; and, finally, from a comparison of the nature of the two circulations, and the mode in which the circulation of the Bank of England is chiefly employed.

We have been thus particular; for the want of clear views on this subject, has been one cause of much obscurity, as may be inferred from the system of calculation adopted by the House of Lords. Indeed, in the various discussions upon the subject of Currency, at least previously to 1826, it is only occasionally that we are led to discover, and that rather incidentally, that there was such a circulation as that of the Country Banks in existence, while the importance attached to it was extremely subordinate.

Having thus established that the influence of the country circulation, compared with that of the Bank of England, affects prices in the proportion of at least four to one :—we now come to the regulating power of the Bank.

It may, in the first place, be observed, that this doctrine was a hypothesis from the first. It was suggested by Mr. Thornton, to explain a fact, namely, that there was a limit which the Country Bankers in issuing their Notes could never pass; but it was not supported by any comparison of the Country Bank circulation with that of the Bank of England, to prove its truth; for the Stamp Office did not, at that time,

furnish even the imperfect materials from which we now obtain the data of our inferences. Now a principle may be hypothetically true, and practically false. It is true that a man could lift the world, if he had an adequate lever, and a support for the requisite fulcrum, but it is notwithstanding untrue that a man can lift the world. It may be true, likewise, that the Bank of England can influence the Country Bank circulation; but it is not true that it can regulate it: it cannot keep the Country Bank circulation upon a level with its own. This, a comparison of the demand for stamps by the Country Banks with the circulation of the Bank of England, will sufficiently show.

The following Table exhibits this comparison, confining the circulation of the Bank of England to its Notes of Five Pounds and upwards, in order to bring the account down to 1825.

TABLE, No. 5.

A comparative Statement of the demand for Stamps by the Country Banks, and the Bank of England circulation, from 1810 to 1825, inclusive.

<i>Demand for Stamps by the Country Banks.</i>			<i>Bank of England circulation in Notes of Five Pounds, and upwards.</i>	
	£.			
1810	..... 10,517,519	{	February 26 ..	13,650,592
			August 26	16,078,390
1811	..... 8,792,433	{	February 26 ..	15,110,688
			August 26	15,203,611
1812	..... 10,577,134	{	February 26 ..	14,523,049
			August 26	14,873,705

	£.		<i>Notes of Five Pounds, and upwards.</i>
1813	..... 12,615,509	{ February 26 ..	14,567,267
		{ August 26	14,975,479
1814	..... 10,773,375	{ February 26 ..	15,632,250
		{ August 26	18,066,180
1815	..... 7,624,949	{ February 25 ..	16,394,359
		{ August 26	16,332,275
1816	..... 6,423,466	{ February 26 ..	15,307,228
		{ August 26	16,686,087
1817	..... 9,075,958	{ February 26 ..	17,538,656
		{ August 26	20,338,502
1818	..... 12,316,868	{ February 26 ..	19,077,951
		{ August 26	17,465,628
1819	..... 5,640,313	{ February 26 ..	16,307,000
		{ August 26	16,972,140
1820	..... 3,574,894	{ February 26 ..	15,402,830
		{ August 26	16,047,390
1821	..... 3,987,582	{ February 26 ..	14,372,840
		{ August 26	16,095,020
1822	..... 4,217,341	{ February 26 ..	15,178,490
		{ August 26	15,295,090
1823	..... 4,657,589	{ February 26 ..	15,751,120
		{ August 26	17,392,260
1824	..... 6,093,367	{ February 26 ..	17,244,940
		{ August 26	18,409,230
1825	..... 8,532,438	{ February 26 ..	18,308,990
		{ August 26	17,091,120

From this it will be seen that there are no grounds whatever for supposing that the Country Bank circulation is governed by that of the Bank of England. There does not, indeed, appear to be any very particular intimacy of connexion between them. They sometimes move up and down together, but more frequently in contrary directions.

Whereas the doctrine not only implied, but it was distinctly expressed, that the issues of the Bank of England had an immediate effect on those of the Country Banks; and if so, the returns must have shown this to be the case. But the returns, as we thus perceive, do not do this, and the doctrine consequently falls to the ground.

The fact is, that Mr. Thornton's doctrine was, as has been stated, hypothetically true, but not practically so. This arose from the counteraction of another principle, which neither he, nor those who adopted his opinions, discovered; and which, though in operation in his time, has been in much more active operation since the peace. It is this principle, which has been entirely overlooked, that caused the Agricultural distress, and probably every great fluctuation in prices that has occurred since the first establishment of our Banking system.

The principle in question, which we shall now proceed to consider, is, the effect of the supply and demand for capital upon our Country Bank circulation. When the supply of capital exceeds the demand, it has the effect of compressing it; when the demand is greater than the supply, it has the effect of expanding it again. These causes, which, for the sake of distinction, we shall call the pressure, and the anti-pressure of capital upon the currency, we shall briefly endeavour to explain.

It is a received principle, admitted by all who have ever written upon the subject, and must be obvious to common sense, and observation, that a man's income does not consist in the money he receives, but in the commodities it will purchase for him ; and that, consequently, the real income of society consists in commodities, and not in money. All income, in short, is originally derived from the soil ; and, secondly, from the produce of labour, and capital employed in supplying the necessaries and luxuries of life. Now these must be annually consumed, or no annual income could continue to be derived from them ; and in order to this, the annual income derived from them must be spent, and this is provided for by nature.

It must be observed that the income of the nation consists of the income of individuals ; and every man must do one of three things with his income : he must spend and consume it himself,—he must lend it to others who will do so,—or he must hoard it. This last mode of dealing with income, consequently appears the only way in which it is not spent.

But to hoard money, it must be remembered is to contract the Currency ; and this does not prevent the general consumption of those commodities from which the income or money hoarded was originally derived. It merely cheapens commodities generally, until the money left in circulation will purchase the whole of them. The holders of this money thereby get that share of the general stock of commodities, which the possessor of the money hoarded would otherwise have obtained. A general alteration in prices takes

place, and production and consumption go on afterwards, as before, at a lower scale.

When the hoard is brought into circulation again, it has the opposite effect. It takes from the holders of the money in previous circulation a portion of the commodities they would otherwise have been entitled to. It obtains a portion of commodities not intended for it, and limits the demand and consumption of the holders of the money in previous circulation, by a rise in prices; and this rise, having been established, production and consumption go on at the elevation as before.

Thus hoarding cannot prevent the actual consumption of the commodities, of which the real income of society is composed, and *vice versa*. It merely alters their price. The effects produced by hoarding money, and afterwards bringing it into circulation again, are precisely the same, as by a Banker contracting, and afterwards enlarging his issues; and no one will imagine that a Banker, by contracting his issues, saves any portion of the real income of society, or *vice versa*.

To assume, however, that hoarding ever had this effect in practically reducing the Currency, is assuming an extreme case, which probably never occurs; and which if it did, would be counteracted by another principle. If the Currency were to be contracted from this cause, so as to affect prices, an importation of money would take place, to supply the deficiency; or if it were enlarged, an exportation of it would take place, to carry off the abundance; so that prices would not be permanently deranged, even were hoard-

ing practised in such a degree as to effect them. But this, as we have stated, is never the case. People, in the present day, can put their money out at interest with more safety than they can keep it by them. Hoarded money is less secure than money lent on good security; while, at the same time, it yields no interest; and no person, who acts rationally, ever does hoard. It is, therefore, very little practised, except upon a very small scale; and as while some persons are hoarding, the hoards of others are, from death or other causes, coming into circulation again, it may be assumed that hoarding has no effect upon the Currency whatever; and it may be altogether kept out of view in any reasoning upon the subject.

This being the case, we may assume that every person does one or two things with his income. He either spends it himself, or lends it to others who do so; and that consequently the income of society is annually spent. But that, at all events, if the monied income of society is not spent as well as the real income, nothing but a derangement of the Currency is the consequence.

Now, in order to prevent this consequence, and secure the regular consumption, not only of the real, but of the monied income of society, the supply and demand for the savings of income, or money in the money market, must correspond. The supply must not exceed the demand, nor the demand the supply; they must be accommodated to each other.

This is brought about precisely in the same manner, as in the market of any manufactured commo-

dity. A fall in price at once checks the production, and increases the demand. The manufacturers produce less, and the purchasers are tempted by cheapness to consume more. So, in the money market, the reduction of the value of money not only increases the demand, by rendering it accessible to borrowers on better terms, but it diminishes the supply.

Money never properly becomes capital until it is laid out, and yields an interest: until it has become invested, or embodied in something that has the power of producing or yielding an annual income. But the value of money before it becomes capital—the value of capital in its incipient state, when it is in the hands of those who have saved it for the purpose of lending, regulates the interest and profits of all other capital.

Thus, if a person in trade has saved money, and cannot obtain good employment for it otherwise, he will put it into his trade; and this being done by all persons in the same trade, who have saved money, and cannot do better with it, the competition will reduce the rate of profits in that trade; or the lowered rate of interest will drive persons into the trade, as a means of obtaining a better income, who would otherwise have lived upon the interest of their capital without trade. The general effect of this is, that less income is obtained than before; that though there is more capital in trade, less profit, upon the aggregate, is derived from it. Thus the trading part of the community are unable to save money as heretofore, and they, it may be observed, are the great economists of

society, from whom the annual supply of incipient capital is derived. The supply is consequently diminished.

Besides this, the man of landed or fixed income is also less tempted to save than he was before. Saving is made by a sacrifice of present enjoyment, for a future good, in the shape of an increase of annual income. But as the annual income to be derived from saving diminishes, the temptation to save is reduced. In this way, likewise, a superabundance of the savings of income, or incipient capital, and a fall of interest, will also operate in checking the future supply.

On the other hand, a fall in the interest of money has the effect of increasing the demand for it. It not only drives more capital into trade, and has a general tendency to cause an increase of stocks in all trades, but it induces people to build houses, until an overstock of them reduces rents to a proportion with the reduced interest of money. It at once finds employment for additional capital in this way, while it diminishes the aggregate income derived from houses, and takes the power of saving from the proprietors in a proportionate degree. The low rate of interest, and facility of obtaining money, also leads to the embarking capital in great public undertakings, which would otherwise not have been ventured upon ; and, finally, it increases the value of landed, funded, and similar property, and gives the spendthrifts of society, possessing such property, a greater power of spending. Thus, by diminishing the supply of the

savings of income, or incipient capital, on the one hand, and increasing the demand on the other, it brings them to an equality. There consequently never is, for any length of time, more money than there is a demand for ; and in every civilized country there is always a power of lending money on good security, at one rate of interest or another.

Thus, a pressure of capital is, an abundance of incipient capital pressing upon the market, and diminishing the profits of trade, and the power of saving, on the one hand, and creating, by its cheapness, greater demand for capital, on the other ; and an anti-pressure of capital, is a demand for capital beyond the supply, having the opposite effect—increasing the profits of trade and power of saving, on the one hand, and diminishing the temptation to borrow by individuals, on the other, by which the supply is kept upon a level with the demand.

In bringing the lenders and borrowers together, it must also be observed that Banks are important instruments. Money, in general, is both saved and spent by degrees ; and the parties who save it generally pay it into the hands of their Bankers in the first instance, by whom it is lent out. A, we shall say, saves a thousand pounds by degrees, which he pays to his Banker, as he saves it. B, on the other hand, borrows of his Banker the same sum by degrees, in the same space of time. A, at last, wants his thousand pounds converted into property, and the Banker requires B to pay him, in order that he may pay A. To do this, B

is forced to sell what A wants to purchase, and a transfer of a thousand pounds worth of property takes place from B to A—from the party who has spent the money, to the party who has saved it ; or A, more frequently, become mortgagee upon the property of B, for the amount. The Banker being thus the medium by which the gradual savings of the one, and the gradual expenditure of the other, were respectively brought together, as they occurred.

In describing this process, we have supposed the existence of a metallic currency which could never be destroyed, or a paper currency constructed on similar principles. But with our currency, or rather the currency of the country, Banks, of which the country circulation was, before the year 1826, altogether, and is now chiefly composed, the effects are different. The interest of money, when it is abundant, is not reduced ; but the circulation, as before observed, is diminished ; and, on the contrary, when money is scarce, an enlargement of issues takes place, instead of a rise in the rate of interest.

The Country Bankers never vary the interest they charge. This rate is five per cent. ; and they charge it, let money be ever so scarce, or ever so plentiful. It would not be worth their while to charge less. It better answers a Banker's purpose to have one hundred thousand pounds in circulation at five per cent. than twice that sum at two

and a half per cent., for he gets the same amount of interest, with half the risk, and half the expence.

At the same time, though it is not his interest to charge less, it is not his fault that he does not do so. He must, of necessity, have one fixed charge, whatever it may be : for he never can know what the true rate of interest is. With a metallic currency, on the contrary, the Banker would always know the state of the market. In the first place, he could not lend money until it had been saved and placed in his hands, and he would have a particular amount to lend. On the other hand, he would have more or fewer persons wanting to borrow, and in proportion as the demand would exceed, or fall short of the amount he had to lend, he would raise or lower his terms : as persons do, under similar circumstances, in disposing of other commodities. They know what they have to sell, and they ascertain the state of the demand, and endeavour to regulate the price accordingly.

But in consequence of our Country Banks being not only dealers in incipient capital, but issuers of the currency, the demand for currency, and the demand for capital, are so mingled together, that all knowledge of either is totally confounded. If, for instance, the issues of any particular Bank, compared with its neighbours, or the Banks of a district, compared with the rest of the kingdom, are in excess, it gives rise to a demand for Bills upon London.

The issues, we shall say, of Northumberland, being more than in due proportion with Lincolnshire, a balance of payments becomes due from Northumberland to Lincolnshire. This, with a metallic currency, would be remitted in gold, in the same manner as a similar balance would be remitted to any foreign nation. But, with our currency, it would be remitted by Bills upon London. The party wanting to remit, would take the Northumberland Notes into a Northumberland Bank, and get a Bill upon London for them. This he would send to his correspondent in Lincolnshire, who would discount it for the Notes of a Lincolnshire Bank; and the practical effect would be, that the Northumberland Bank would contract its issues, while the Lincolnshire Bank would do the contrary—the Northumberland Bank would not re-issue the Notes, with which the Bill had been purchased, while the Lincolnshire Bank would purchase or discount it with a fresh issue of Notes. This demand upon the Northumberland Bank would be a currency demand—a demand arising out of a relative excess of issues. Now, if a person had saved money, and wished to invest it in the Funds, he would take the Notes of the Country Bank, and demand a Bill upon London, as if he wanted to remit money to any other part of the kingdom. Yet this would be a demand not from too much currency, but from a saving of capital. But the Banker could know no such distinction, and would make none.

He would contract his issues as much in the one case as the other. Or, if a person residing in Lincolnshire were to spend a thousand pounds more than his income, and were to sell out of the Funds to obtain money for the purpose, he would draw upon London for it, and discount the Bill with the Lincolnshire Banker, who would increase his issues upon it the same as if it were a Bill brought into Lincolnshire by a relative deficiency in the circulation. Nor would this have any effect on the London money market. When the currency is thus contracted by a purchase into the Funds, the Country Banker is obliged to sell what the other purchases. When the currency is enlarged, the Country Banker purchases what the other sells. It is a mere change, in either case, from hand to hand, of securities, at the market price: for when the supply and demand are precisely equal, no change in the market price occurs.

It is thus impossible for the Banker to make any distinction between fluctuations in the demand for capital, and the demand for currency. His only alternative is to charge a fixed rate of interest, and let the currency take its chance, and it consequently expands and contracts, instead of the interest of money rising and falling.

This, however, is only in the country; in London it is otherwise. The currency there is issued by the Bank of England only, and upon very different principles. The Bank charges the public, in dealing with it, a fixed rate of interest, in the

same manner as the Country Banks; but it does not, in any degree, regulate the amount of its issues by the demand of the public at that rate of interest, as the Country Banks do. The Directors fix the amount of Notes they propose to issue, by some other rule; and if the demand of the public, at their regular rate of interest, which is never less than four per cent., will not enable them to keep up their issues to this amount, they issue the deficiency in purchase of Exchequer Bills, at the best interest they can obtain, which, at present, is seldom more than two per cent. The private Bankers in London, on the other hand, are not dealers in currency, but only in money, or incipient capital; and with them, consequently, the rate of interest varies. They charge their regular customers, indeed, a fixed rate, which is the same as the Bank of England charges in dealing with the public. But this arises from their having, like the Bank of England, the Stock Exchange open to them, where they can dispose of, by lending it upon Stock, or in the purchase of Exchequer Bills, any surplus which they cannot employ to more advantage.

The consequence of this is, that while the circulation of London does not vary with the variations in the supply and demand for capital, the interest of money does. It is sometimes five per cent., and sometimes two. In 1822, it was two per cent., while in the country it was five; and it was this fact, with which I was struck on coming

up to town in that year on the subject of Banking, that led me to entertain the views I am now endeavouring to explain.

In London, consequently, the pressure of capital has its right and proper effect: it acts upon the value of capital. In the country it has a wrong effect: it acts upon the amount of the currency.

That this pressure must act with great power upon the country circulation, will, also, be obvious on the least consideration. The income of the United Kingdom is assumed to be about five hundred millions. The consumption of four fifths, or say three fifths of this, is promoted by the country circulation, amounting to about thirty millions, inclusive of the circulation of Ireland. Now a saving on the aggregate of only two and a half per cent. upon three hundred millions, would, in one year, diminish the circulation seven millions and a half. This would be no great saving to make even in one year, yet it would be sufficient to make a derangement in the prices, that would convulse the country from one end to the other; for it must be observed that the money withdrawn would be that portion which was most actively employed in consumptive circulation, and by which the general price of commodities was more immediately determined.

It thus appears, that our Country Bank circulation, which, as regards its effects on prices, has four times the importance of that of the Bank of

England, is acted upon by the pressure and anti-pressure of capital, which the Bank of England circulation is not; and that it consequently dilates and contracts, independently of the issues of that Establishment.

At the same time, I do not mean to state, that the regulating power of the Bank of England is totally inoperative; on the contrary, it is constantly in action; but its action has as great an effect in producing derangement, as in checking it. To understand this, we must refer again to the principle, and its manner of operation.

“ If in London,” (as Mr. Ricardo has described,) “ where Bank of England Notes are current, one “ million be added to the circulation, the currency “ will become cheaper there than elsewhere, or “ goods will become dearer. Goods will, there- “ fore, be sent from the country to the London “ market, to be sold at the high prices, or, which “ is much more probable, the Country Banks will “ take advantage of the relative deficiency in the “ currency, and increase the amount of their Notes “ in the same proportion as the Bank of England “ had done.”

The Country Banks would take advantage of the relative deficiency in this way. Bills would be drawn for the goods, which, in consequence of it, would be sent to the London market; and these

Bills would be discounted with the Country Banks, who would give their Notes for them, until the deficiency was made up. For it must be observed, that the balance of payments would continue in favour of a district for ever, if its circulation were to continue relatively deficient. Nothing can stop, as we shall have occasion hereafter more fully to explain; the influx or reflux of money between nations or districts trading with each other, but such an equalization of the currency and prices as will bring their transactions to a balance—to an exchange of commodity for commodity.*

Now the public, we shall say, have saved so many millions, which have been paid into the Banks, and which the Banks cannot lend out again. The money, consisting of their own Notes, is either deposited with them, or the parties purchase into the Funds. In the former case, their circulation contracts, of course; and it equally does so, as has been already observed, in the latter case. The parties buying into the Funds, would obtain Bills upon London for the Notes of the Bank, to enable him

* It may be remarked by the way, that during the period of the agricultural distress, a much larger supply of corn and cattle than ordinary was sent to the London market; which, on Mr. Ricardo's own showing, was a proof of a relative deficiency in the country circulation. Whereas, Mr. Ricardo, himself, adduced it to prove, that the fall in prices had not proceeded from the currency, but from over production, and excessive supply.

to do so ; and these Bills, the Bankers would have to pay, on the other hand, by a sale of stock. If A presented a thousand pounds of Notes to B, a Banker, and demanded a Bill upon London for them, he would send the Bill up to London, and order his Agent, on receiving payment, to purchase stock with the money ; while B, in order to pay the Bill, would send to his Agent, and order him to sell stock, to obtain the money to pay it with. It would, therefore, as has been before observed, practically come to this, that a thousand pounds of Country Bank Notes would be cancelled, and B would transfer to A a thousand pounds value in Government securities.

Thus the Notes would be cancelled, to the amount of the money saved, either by their being lodged with the Banks, who could not lend them out again, or by Bills upon London being obtained for them.

The effect of this would be diminished expenditure, and a proportionate fall of prices ; and this would soon spread further. The reduced means of one person would curtail his expenditure in the articles supplied by another ; this would reduce his expenditure in those supplied by a third, and so it would run on through all the ramifications of society.

Thus a general reduction in the demand for commodities would take place. Now with a reduced demand and its consequence, a falling mar-

ket, people in trade would be desirous to reduce, and not increase their stocks. The money obtained, by the sale of their commodities, instead of being re-invested in a fresh supply, would be placed with the Banks, until times should mend, which would add to the contraction that had occurred, and make bad worse.

The money, however, thus taken out of trade, and deposited with the Banks, would only be allowed to remain there until an improvement had taken place; and this would be brought about by the Notes of the Banks being re-issued, and prices restored to their previous level, by means of the regulating power of the Bank of England. But the moment this power began to operate, and prices to look up, the parties who had previously reduced their stocks, and placed their money in the Banks, would be desirous to increase them again, and would draw their money out for that purpose; or, if they had bought into the Funds, would sell out and draw Bills for the proceeds, and discount their Bills with the Banks; by which, as we have said before, the currency would be equally enlarged.

By this means, the circulation would now be doubly increased. It would, first, have been increased by the regulating power of the Bank of England, and next, by the money, which had been withdrawn from trade, and deposited with the Banks on the fall of prices, being re-invested in trade again. Nor would this be confined to the capital which had been withdrawn. Even the money lost

by the fall would be replaced. The vacuum which had been thereby caused would be filled up by other persons in trade, having capital, who would probably sell out of the Funds for the purpose ; so that eventually the circulation would be enlarged, and prices be raised as much above the proper level, as they had before been reduced below it.

This the Country Bankers would not have the least power to check; nor would they, indeed, have any means of knowing that their issues were in excess. The only rules by which a Banker can regulate his issues, is by the state of his funds in London, or the means of discharging his obligations. When a Country Banker discounts a Bill upon London for a thousand pounds, he has no opportunity of knowing whether his Notes will remain out or not ; but this he knows, that they will come back to him, either in a demand upon him for another Bill upon London, or in the event of a run or panic, in a demand for gold or Bank of England paper, which he must obtain from London. Hence, if he issues his Notes in discounting a good Bill upon London, he is safe, for he is provided with the funds to meet their repayment whenever and in whatever way that may be demanded. Enlarging his issues by discounting Bills upon London, is to a Banker, therefore, the most legitimate means of doing so ; and he generally infers, because it is legitimate with regard to him, that it is legitimate with regard to the country.

The most acute Bankers, from the impossibility

of drawing, from their own experience, very right conclusions on the subject of currency, are led to adopt this error; and that it is one, will be sufficiently obvious, when it is stated, that the Country Bankers could buy up the whole National Debt, by an enlargement of their issues upon this most legitimate of principles, provided all the Stockholders resided in the country, and were resolved to convert their stock into money, and spend it.

Nor would the price of stock be a fraction reduced by the operation. The party who sold out, and checked upon the Country Banker for the amount, would give the Country Banker an equal power to buy in. It would merely, as we have before remarked, amount to a transfer of his stock at the existing price whatever that might be, to the Country Banker, in exchange for his Notes.

Thus, instead of the Bank of England having a regulating power over the issues of the Country Banks; a principle which has been assumed ever since the work of Mr. Thornton; to which all parties have subscribed; and which formed the ground work of the scheme of Bullion payments adopted by Parliament in 1819; this power is nothing more than a means of increasing fluctuation—a hinge, upon which it more effectually turns.

I do not mean, however, to say, that, during the war, when this principle was discovered and first explained, that it had the same effect as at present.

At that time there were no fluctuations in the demand for capital. The Banks charged five per cent.; but that was below its value; and this continued during the war, owing to the loans required by Government. Hence, the Country Bank circulation had a constant tendency to be in excess. This would keep the funds in London of the Country Banks at a low ebb, and make them extremely sensitive on the subject of a demand for Bills upon London, which any undue enlargement of their issues would be sure to produce. Hence, during the war, the Bank of England would have considerable influence over them in correcting excess. While, on the other hand, as they charged less for money than it was worth, there was no fear of their issues contracting. But since the Peace, this equipoise has been totally destroyed; and the regulating power of the Bank, instead of being a check against over issues, has become a means of producing them.

We have thus endeavoured to establish, in this Chapter, three principles, upon the truth of which, much that is practically important depends. The first is; that the price of commodities, so far, of course, as their price is determined by the currency, is chiefly dependent on the Country Bank circulation.

2nd. That the issues of the Country Banks are not regulated by those of the Bank of England, but are improperly influenced by the pressure and

anti-pressure of capital, independently of the Bank of England, or of the Country Bankers themselves.

And, 3rd. That the regulating power of the Bank of England is not only no check upon the Country Banks, but is a cause of their circulation fluctuating to a much greater extent than would otherwise be the case.

CHAPTER VI.

A History of the Fluctuations in Prices since the war, and the cause of them.—Corn less liable to Fluctuations from supply than other commodities.—Mr. Peel's Bill, though not the primary, was an incidental cause of the decline of prices that followed it.

HAVING, as we trust, completely established the principles developed in the foregoing Chapter, we shall now endeavour to apply them in accounting for the fluctuations in prices since the war; and if they enable us to unravel the mystery, and reconcile the difficulties which have hitherto attended an explanation of these changes, it will be another and conclusive argument in their favour. In order to this, I shall beg leave to re-insert and call attention to

TABLE, No. 1.

<i>Annual Demand for Stamps by the Country Banks.</i>			<i>Average price of Wheat per Quarter.</i>
	£.		
1810	10,519,519	.....	105s.
1811	8,792,433	.....	93s.
1812	10,577,134	.....	125s.
1813	12,615,509	.....	107s.
1814	10,773,375	.....	74s.
1815	7,624,949	.....	64s.
1816	6,423,466	.....	75s.

1817	.....	9,075,958	.....	94s.
1818	.....	12,316,868	.....	83s.
1819	.....	5,640,313	.....	72s.
1820	.....	3,574,894	.....	65s.
1821	.....	3,987,582	.....	54s.
1822	.....	4,217,341	.....	43s.
1823	.....	4,657,589	.....	51s.
1824	.....	6,093,367	.....	62s.
1825	.....	8,532,438	.....	66s.

During the war, and the latter part of it in particular, while we were maintaining a large army in the Peninsula, the Government, as has been observed, was in the habit of borrowing largely; say, from thirty to forty millions per annum; and a scale of profits and power of saving, from a corresponding anti-pressure of capital, must have become accommodated to this demand. Before the war closed, however, the necessity for the great exertions we had made was diminished, by the successes of the Allies against Buonaparte; and our actual expenditure and demand for money was, probably, not so great as it had been. While the supply, therefore, was increased, the demand was diminished. Hence, the economy of the nation must have outstripped its expenditure. In 1814, we consequently find, that the Country Bank circulation contracted. That this contraction was not caused by the Bank of England, was clear; for the Bank of England did not contract, but enlarged its issues; and continued to do so on the average, until 1818. The contraction, therefore,

evidently proceeded from a cause unconnected with the Bank of England ; and as it was not produced by panic or distrust, either of the public by the Bankers, or of the Bankers by the public in that year, it could only proceed from the cause we have pointed out ; namely, from the economy of the country having exceeded its expenditure. The contraction, however, which took place in 1814, was increased in 1815 and 1816, by Bank failures and panic. In 1816, indeed, the average price of wheat was higher than in the year before ; but in that year there was a bad harvest, and the rise may be attributed to it. Corn was twice the price at the end of the year that it was at the commencement. By this time, the demand for capital by loans to Government had altogether ceased. But a bad harvest not only causes a scarcity of corn, but a scarcity of capital. The loss to individuals, by such a harvest as 1816, would, in the aggregate, probably, not be less than the amount of two or three loans : for a loss of income does not stop with the first who suffer it, but spreads through all classes. The bad harvest, consequently, though the demand for capital by Government had ceased, produced an anti-pressure of it, with its effects on the currency. Such of those who had lost their income by the bad harvest, and had money in the Funds, or in Banks, would sell their stock, or draw their balances out of the Banks, and live upon the money. A bad harvest, in itself, would not add to the circulation, but the

loss of income caused by it would. In 1817, consequently, there was a rise in prices, not only from scarcity, but from a considerable enlargement of the currency. This went on until 1818. Trade was brisk, profits good, and speculation considerable ; by which latter, the circulation would be still further enlarged. The extra profits of 1817 and 1819, were, it is probable, sufficient to make up for the loss of capital by the failing crop of 1816 ; and in 1819 a pressure of capital, with its effects upon the currency, again commenced. The Government now had no demand for money beyond its income, derived from taxes, and the economy of the nation had to be reduced thirty or forty millions. No person can suppose, that such a demand could cease, without producing some effects upon the market value of capital. Yet, in the country, the great dealers in it, the medium between the immediate borrowers and the immediate lenders, the Country Banks, did not reduce the market price a shilling. Can it, therefore, be a matter of surprise, that their issues, in three or four years, were reduced ten or twelve millions, the amount computed ? The only wonder is, that they were not reduced to a greater extent. There is, surely, no necessity to look for this contraction to the Bank of England, and Mr. Peel's Bill, nor to any other cause than this contraction, for the great fall of prices which accompanied it.

The pressure of capital which commenced in 1819 continued until the end of 1822, when a re-ac-

tion took place, and the currency began to enlarge, and prices to rise, without any other cause than that which was sure, in the end, to produce re-action. This re-action went on until the panic of December, 1825, put a stop to it, and contraction commenced again.

The general doctrine that pervades Smith's *Wealth of Nations*, it may be remarked by the way, is, that a nation has a great difficulty in saving capital, and that, like an individual, it becomes rich by saving. This is also an assumed principle in most of the works of the modern school of political economy. But I apprehend that nothing can be more erroneous. The real difficulty with every civilized nation, is to employ its savings, not to make them. It is consistent with all experience, that in ordinary times the want of employment for capital is the universal complaint; and it is only by grinding down the middling classes of people, who live upon the profits of trade, to the dust, that its accumulation is prevented in this country at the present moment. By Colquhoun's estimate, made in 1813, it does not appear that the whole capital of the nation, consisting of stock, buildings, machinery, canals, and other capital from which profit is derived, amounted to more than six hundred and sixty millions; which, if it had been only six hundred and sixty years in accumulating, would not make a saving of more than one million per annum. Or if half of it had been accumulated in the last and

present century, namely, in 113 years, the saving would only still have been three millions per annum in that period. Yet, the nation can save fifty millions in one year, when it is wanted. In short, there never is, generally speaking, a want of productive capital in a fully populated country, where it can be productively employed. Whenever it is wanted, a tax, in the shape of increased profits, is sure, in the end, to produce it.

At the time that these fluctuations in the price of corn occurred, as we have before remarked, they were, by a very numerous and intelligent class, attributed to the state of the supply: an opinion still entertained by Mr. Took, its great advocate. But when we reflect upon the great improvements that have taken place in agriculture, and the nature of these improvements, we shall be satisfied that there never was any reasonable probability that this could be the cause. All improvements in agriculture, it must be remembered, add not only to the fruitfulness of the soil, but to the certainty of production. Formerly, cattle could only be fattened at one period of the year. Whereas, beef is now to be had in equal perfection all the year round. Formerly, wheat could only be produced in one description of soil. It is now produced in equal abundance upon soils of an opposite character; and those seasons which produce a failing

crop in the one, are almost certain to produce an abundant crop in the other. So that, by means of art, the bounties of nature are at once multiplied, and rendered less precarious. These improvements have been going on most rapidly for the last fifty years : more especially during the first thirty of those years ; and could it ever be reasonable to conceive, for a moment, that they should terminate in producing greater fluctuations in the price of corn than before ? Nor was such a supposition ever borne out by any account of the crops furnished by parties, who had the best means of information, and no theory to support. It appears that, about once in ten or fifteen years, we have, what may be termed a failing crop : that is, half of it may be destroyed, or damaged by wet, or some other cause ; and with this exception, though there is mostly some difference between the crops of different years, it is seldom such as could be detected by the naked eye ; and one series of three or four years is, upon the average, pretty nearly as good as another.

Indeed, it is much to be doubted, if the fluctuations in the supply were greater than there is any reason to suppose they are, that the price would, even then, be so materially affected, as might be imagined ; for it must be kept in mind, that one consequence of a deficiency in the crop, is a loss of income ; that loss of income produces diminished expenditure ; and diminished expenditure curtails the demand for labour ; the want of employment

for labour, reduces the consumption of corn, and this must contribute to keep down its price. All experience points out, that there is a want of demand for labour in a bad harvest; and to the extent of this effect, it must prevent the price of corn rising.

On the other hand, a particularly bountiful harvest is found to improve the income of society, and create additional employment for labour, by which the demand for corn is increased, and the price of it, consequently, prevented from falling.

Thus, corn is less liable to fluctuations in price than other commodities of a perishable nature, because the demand fluctuates with the supply. We have, consequently, little doubt that all the great fluctuations which appear to have occurred in its price during the last century, the early part of it in particular, did, as we have before suggested, proceed from our system of currency, which must, from the period of its becoming general, have produced the same effects as at present.

This it is necessary to remark more particularly; for these early fluctuations have been attributed to the state of the supply, as a matter of course, and have been adduced to prove, that those which have happened more recently, were not produced by the currency. But a currency, issued on the same principles, would have the same effects at one period as another; and if the pressure and anti-pressure of capital has caused the recent fluc-

tuations, of which there can be no doubt, it has, as unquestionably, caused the whole.

Considerable fluctuations, indeed, would take place with a metallic currency, more especially before the general establishment of Banks. One of the purposes of Banks to individuals, is, to keep for them the ready money they would otherwise find it necessary, or think it desirable to keep for themselves, to be ready in case of any emergency. Most persons, consequently, before the establishment of Banks, would have stores of money hoarded, which the loss of income, consequent upon a bad harvest, would compel them to bring out and add to the circulation. In Scotland, from whence gold has been banished these hundred years, any hoarding that may be practised, is practised in silver; and before the institution of Saving Banks, the poor kept their small savings by them in that money. These savings, in a bad harvest, they would be obliged to expend; and it has been observed by the Scotch Banks, that silver is always plentiful in such years. In countries, therefore, where there are but few Banks, and no paper, it frequently happens, that a scarce year raises the price of corn to a great height. But it is still by its effects upon the currency—by bringing the hoards of individuals into circulation, that this is produced. The falling off in the supply, it is probable, would produce it, in but comparatively a limited degree.

From the foregoing it will be seen, that the fall in prices which occurred from 1818 to 1822, was neither caused by over production, nor Mr. Peel's Bill. But we do not mean to contend, that if Mr. Peel's Bill had not passed, so great a fall would have taken place. On the contrary, it is probable that the fall might, in that case, not have been considerable.

From 1819 to 1823 a greater influx of gold took place into this country than was ever before known. This was at once a proof of a deficiency in the circulation, and a remedy for it. But this was not sufficiently perceived. It was admitted that an exportation of gold was a proof of an excess of currency, and that the remedy for such excess was contraction of issues. But it was not perceived that the reverse of this was equally true: that an importation of gold was a proof of deficiency in the circulation; and that the proper remedy was enlargement of issues.

Now to enable the Bank to pay in gold, Government repaid it ten millions of debt due to it; and this, with other resources at its disposal, was found sufficient not only to enable it to lay in a stock of gold to meet cash payments, but to avail itself of the influx of gold which had occurred to pay off its one pound Notes.

The Bank of England, therefore, instead of obeying the suggestions of reason to enlarge its issues, upon this indication of deficiency in the circulation, with great industry prevented the relief the

system would otherwise have afforded itself. As fast as the gold was imported, the Bank bought it up, and neutralized its effects. If it had bought it up, and had increased its issues thereby, it would have been the same as if it had not bought it at all, and it had been coined at the Mint, and put into circulation. But for the Notes the Bank put into circulation by purchasing gold, it withdrew an equal quantity, by cancelling the small Notes ; by selling Exchequer Bills, and cancelling the Notes that it received for them ; and by cancelling the Notes received more directly from the Government in payment of the ten millions of debt. In these ways it probably destroyed fifteen millions, which ought to have been put into circulation. Now, had it not been for the means placed at its disposal, in order to resume cash payments, it would not have had the power to do this ; and had it not been for the order to withdraw its small Notes, it would not have felt, or imagined the necessity of doing it to any such extent ; and it can never be supposed, that fifteen millions added to the circulation, would not have much sooner checked the fall that occurred, if it had not prevented it from ever taking place, in any great degree.

Not that the Bank was to blame in the matter ; that part of Mr. Peel's Bill, which related to the small Notes, was a blunder. But the Government, though it might have discovered that this was the case in form, did not discover that it was so in prin-

ciple. They, therefore, did not check, but assisted the Bank in neutralizing the effect of the importation of gold which was going on. It was necessary that an Act should be passed to enable the Bank to anticipate the period of paying off its one pound Notes; and the Government passed a Bill for that purpose. If the Bank was proceeding too rapidly in acting upon Mr. Peel's Bill, the Government ought to have stayed its progress; but the Ministers did not see that it was doing so, or, if they did, had not courage to act upon their own convictions. None could be more anxious than they appeared, to find the true cause and proper remedy for the fall in prices that had occurred. But in the differences of opinions entertained, and the principles broached on the subject, it is probable that they were unable to come to any satisfactory conclusion, and did, as most people do in such circumstances—nothing at all.

In 1822, indeed, after the Bank had withdrawn theirs, they repealed that part of Mr. Peel's Bill which affected the small Notes. The Act of 1816 stipulated, as before mentioned, that all small Notes should be withdrawn in two years after the resumption of cash payments, which latter, according to Mr. Peel's Bill, would finally take place in May, 1823. The small Notes of the Country Banks were, consequently, to be withdrawn in May, 1825, also. But an Act was now passed to prolong their circulation until the ter-

mination of the Bank Charter in 1833. But this had no effect in relieving the distress. In bringing in this Bill, however, the late Lord Londonderry remarked—

“ That there was reason to believe that the
“ Country Bankers, with the termination of the
“ present law in view, had for some time been con-
“ tracting their issues to meet that event.”*

Hansard's Debates, vol. 7, p. 158.

* Lord Londonderry's speech on this subject is curious, and we extract the part relating to it. It would seem that the Ministers had come round to Mr. Attwood's opinions, though they did not act upon the views they had adopted.

“ I will now call the attention of the Committee more
“ pointedly to the general state of the circulation, and to the
“ various circumstances by which it is affected. The House
“ are aware, that the Act, empowering private Bankers in
“ the country to issue Notes under five pounds in value, will
“ expire in the year 1825; and that, consequently, if Parlia-
“ ment do not interfere, by extending the operation of that
“ Act, all the small paper currency of the country—all that
“ currency which consists in Notes under five pounds in value,
“ must be put out of circulation, and its place be supplied by
“ a metallic currency. Now we are approaching so nearly to
“ the period of the expiration of that Act, that it is essential
“ Parliament should, without loss of time, decide with re-
“ spect to the course of policy which it may be most expe-
“ dient to pursue. Either we should at once determine to
“ extend the law for a further period, or we should give the
“ parties concerned, fair notice, that we intend to allow it to
“ expire. This becomes the more necessary, as there is

Now this was not correct. There could be no reason to believe any such thing. It was a fact which no Banker could have asserted; and the probability is, that the assertion was made without

“ reason to believe, that the Country Bankers, with the termination of the present law in view, have, for some time past, been contracting their issues, in order to meet that event. There is reason to believe, that, no longer indulging in speculation, the Country Bankers are not even acting up to the natural scale of the credit to which the property they possess entitles them, in consequence of the measures which they think it necessary to adopt, in order to be prepared for the total suppression of their small paper currency. If, therefore, it be the intention of Parliament to allow the Act for the regulation of Country Bank paper to expire, that intention ought now to be declared, in order that still more extensive efforts may be made to procure an adequate supply of the precious metals to replace that paper. If, on the other hand, this operation can be dispensed with, it should, without further delay, be discouraged; as the effect of such an importation, in the interval, would be, to augment the pressure upon our circulation, by a large, and, in that case, unnecessary accumulation of gold. It is for Parliament to consider, whether a metallic currency alone is sufficient to satisfy all the wants of the country. It is for Parliament to consider, whether, looking at the general circulation, with respect both to this country, and to the world at large, it would be sound policy, that the whole of that circulation should be filled up in its details by a metallic currency. I am sure, the House will go along with me, in feeling, that the time has arrived, when we are bound to come to some conclusion on this important question. And here I have to state, that after the best consideration which His Majesty’s Government have been able to bestow on the subject, they are satisfied, that, under all the circum-

any enquiry upon the subject. The Bankers had not contracted their issues for any such reason. They had no necessity to do so, even had they been aware of the existence of the law ; which may be very much doubted, as this was, if I am not mistaken, the first time since it was passed, that its existence had ever been noticed in Parliament.

But many persons have attributed much importance to this act. They took Lord Londonderry at his word. They imagined that the country

“ stances of the case, it will be prudent and expedient, not
 “ only to extend the duration of the Act in question, but to
 “ extend it for a considerable number of years, by making
 “ that duration concurrent with that of the Charter of the
 “ Bank of England, which will not expire until the year
 “ 1833.

“ I am sure, the House will feel, that if even, at this mo-
 “ ment, it be the fact, that we are suffering an unnecessary
 “ pressure, resulting from the efforts which had been made to
 “ bring gold into the country, and to hold it in the coffers of
 “ the Bank of England, in order to effect the great object of
 “ returning to our ancient metallic standard; if that be the
 “ case, and I really believe it so to be, it is imperative upon
 “ us to consider how much the evil will be needlessly aggra-
 “ vated, if to the gold, which has been accumulated for that
 “ purpose, is to be added the gold which it will be necessary
 “ to provide, in order to replace the small Country Notes,
 “ should they also be withdrawn. If it be not necessary to
 “ our credit to do away with those Notes, why should the
 “ Country Bankers be exposed to the obligation of keeping
 “ by them a large dead capital in gold, which has, in many
 “ points, been found inconvenient in the detail of general
 “ circulation? It is indispensable, therefore, that we should
 “ now decide this important question.”

Bankers had contracted their issues to meet the anticipated withdrawal of their Notes, as his Lordship stated; and that this act, by relieving them from further apprehensions on this point, not only prevented the contraction from proceeding but was the cause of the enlargement of issues that followed. Sir James Graham observes—

“ The wavering policy of the Government, in
 “ this second crisis of 1822, would also be remark-
 “ able, had we not been accustomed to witness their
 “ compliances where vacillation is most dangerous,
 “ equalled only by their obstinacy, where conces-
 “ sion is most important. On the 15th of Fe-
 “ bruary, of that year, Mr. Huskisson, in his place,
 “ addresses the House, and says,—‘ If we are
 “ unable to rescue many of the victims from the
 “ ruin which depreciation guaranteed by law has
 “ brought on them; at least, let it be a warning
 “ never to be forgotten against any future tamper-
 “ ing with the standard value of the currency.”
 “ On April 29th, in two short months after this
 “ solemn declaration, Lord Londonderry, then the
 “ colleague of Mr. Huskisson, introduces his mea-
 “ sures, intended for the relief of the agricultural
 “ interest; and he dwells on the extension of the
 “ Currency of the Bank of England, and the con-
 “ sequent increase of the Country Bank paper, as
 “ a principal source of mitigation of the distress;
 “ admitting distinctly the contraction of the Cur-
 “ rency caused by Mr. Peel’s Bill, to have occa-
 “ sioned the fall in the price of agricultural pro-

“ duce ; and in this very speech he gives notice of
 “ the introduction of the Small Note Act.

“ The avowed purpose of this Act was a fresh
 “ tampering with the Currency—a modification of
 “ the Bill of 1819 ; *and its object, in which for a*
 “ *time it succeeded, was an increase of the cir-*
 “ *culation.* By the Act of 1819, all Bankers were
 “ bound to pay cash on demand for their Notes,
 “ and to discontinue the issue of paper for any
 “ sum under five pounds, after the year 1824.
 “ *The inevitable consequence of this impending*
 “ *necessity, was a great contraction of the paper,*
 “ *both of the Bank of England, and of the Coun-*
 “ *try Banks, as evinced in the last Table ; the*
 “ *removal of this necessity was calculated to act*
 “ *in an opposite direction, and to produce the op-*
 “ *posite effect of a very large increase.* To render
 “ this result more certain, the Government applied
 “ even a new stimulus to circulation ; they abo-
 “ lished one of the principal safeguards which ex-
 “ isted, even under the Restriction Act, from 1797
 “ to 1811, against the dangerous abuse of an unli-
 “ mited Paper Currency.

“ On the stoppage of cash payments by the
 “ Bank of England in 1797, the 15th of Geo. III.
 “ was repealed, which prohibited the issue of
 “ Bank Notes under five pounds ; and private
 “ Bankers were permitted to circulate one and
 “ two pound Notes ; but every holder of such
 “ Notes was empowered to demand payment in
 “ specie ; and in case of refusal for a space of

“ seven days, any Magistrate was authorised to
 “ levy the amount by distress on the goods of the
 “ Banker so refusing. This summary process was
 “ a decided check on over issues. But in 1822,
 “ when the Small Note Act was introduced, no
 “ clause of this nature was inserted ; and a large
 “ majority, influenced by Ministers, has since de-
 “ cided against the re-establishment of this most
 “ effective and salutary security, by which a re-
 “ dundant circulation might have been averted.

“ The result at once answered the intention and
 “ expectation of the Government ; and in spite of
 “ Mr. Huskisson’s warning, balanced, indeed, by
 “ his own wavering, this second crisis of 1822
 “ was averted by a second tampering with the
 “ currency, and by its forced enlargement, just
 “ as the first crisis in 1816 had been postponed
 “ by the adoption of the same means.”

Corn and Currency.

Now this Act had none of these effects. The
 Country Banks had not, as we have stated, dimi-
 nished their issues in consequence of the measure
 which was postponed ; and the postponing of it
 did not make the least change in their proceedings.
 When they did increase their issues in the following
 year, it was the result, as before described, of re-
 action. The economy of the country had pre-
 viously exceeded its expenditure ; and when the
 productive classes had been half ruined, its ex-
 penditure began to exceed its economy, the cir-

ulation to re-extend itself in consequence, and prices to rise again. The Small Note Act had, therefore, no effect in producing the change whatever.

And as to the repeal of the law, empowering a Magistrate to levy by distress upon a Banker refusing to pay his Notes in specie upon demand, it was never any thing but a dead letter, and its repeal was as much unfelt as its existence. If the Act had not been passed, and the small Notes had been withdrawn in 1825, the Bank of England might not have been able to supply the gold required. But I do not imagine the Country Bankers would have made any change in consequence. They never were better prepared for paying off any part of their circulation than at that moment. All these are facts, capable of being proved or disproved, whenever proper enquiries shall be instituted.

Of the vacillation of the Government, as regards their opinions, there cannot be much doubt, for men cannot avoid it who are groping in the dark, which was most undoubtedly their case at this period.

CHAPTER VII.

Notice of a Work of mine, on Political Economy, which failed.

—Plan for a self regulating system of Currency, which would prevent fluctuations in prices.—The fluctuations in the Money Market of London, and prices of the Funds, caused by the duplicate property of our Currency.—The difficult situation in which the Directors of the Bank of England are placed.—The Plan proposed, a remedy for these fluctuations in the Money Market, as well as for fluctuations in prices.

HAVING arrived at the general views, which I have endeavoured to explain in the two last Chapters, I resolved to submit them to the public, together with a plan for remedying the evils pointed out; and in 1823, I published a work, which I entitled, “*Outlines of a system of Political Economy.*” The title was somewhat ambitious; but the opinions were new, whether they were well or ill founded.

Circumstances had prevented me from giving much time to it. The work contained about 300 pages of text, besides an Appendix. It was written in about two months, and was printed Chapter by Chapter as it was written. It was composed also with a very imperfect knowledge of the writings of others, on the same subject, and it did not succeed.

It was not noticed by more than two reviews—

the London Quarterly, and the Literary Gazette; and they both abused it. It, however, contained a plan for regulating the currency, which, I cannot help thinking, ought to have commanded more attention; and I shall now endeavour to explain it, as I believe it to be the only proper remedy for the evils I have pointed out.

Paper, as an instrument of circulation, has been found equally useful with the precious metals, and has been adopted by other countries as well as our own; but in almost every instance the use of it has been abused. With us, it was issued by Banks, payable in gold, which it was conceived would prevent its abuse, and render it, for every practical purpose, an exact representative of the metallic currency for which it was substituted. But in other countries, it has been generally issued by the Governments, not payable in coin, and yet made a legal tender in all payments. There were, consequently, no limits to the amount which might be issued, but the will of these Governments; and, under the pressure and temptation of necessity, they have generally issued it to excess. They have been led, at different times, to supply their immediate wants, by increasing its quantity, and thereby debasing its value; so that many of the paper currencies of Europe, are of less than half, others, not more than a fourth of the value of the coin for which they were originally substituted, and which they profess to represent.

This depreciation would derange all the con-

tracts of society; would enable debtors to pay their debts in money of less value than that in which they were contracted, and would be a great injury to all creditors and persons whose property was in money. But as the depreciation would be gradual, and the injury would be suffered by the annuitants, by widows and children, and the more helpless and inactive part of the community, and the benefit be gained by the landed proprietors and the productive classes, who are more known to, and have the greatest influence with the Government, in despotic countries; the depreciation, as it occurred, would not cause discontent; but, on the contrary, would, it is probable, be highly popular. Hume has observed,—

“To account then for this phenomenon,” the benefits resulting from an increase of currency, “we must consider, that though the high price of commodities be a necessary consequence of the increase of gold and silver, yet it follows not immediately upon that increase, but some time is required before the money circulates through the whole State, and makes its effect be felt on all ranks of people. At first, no alteration is perceived; by degrees the price rises, first of one commodity, then of another; till the whole, at last, reaches a just proportion with the new quantity of specie which is in the kingdom. In my opinion, it is only in this interval, or intermediate situation, between the acquisition of money and rise of prices, that the increasing

“ quantity of gold and silver is favourable to in-
 “ dustry. Here are a set of manufacturers, or
 “ merchants, we shall suppose, who have received
 “ returns of gold and silver, for goods which they
 “ sent to Cadiz : they are thereby enabled to em-
 “ ploy more workmen than formerly, who never
 “ dream of demanding higher wages, but are glad
 “ of employment from such good paymasters. If
 “ workmen become scarce, the manufacturer gives
 “ higher wages, but, at first, requires an increase
 “ of labour ; and this is willingly submitted to by
 “ the artizan, who can now eat and drink better
 “ to compensate his additional toil and fatigue.
 “ He carries his money to market, where he finds
 “ every thing at the same price as formerly, but
 “ returns with greater quantity, and of better
 “ kinds, for the use of his family. The farmer
 “ and gardener finding that all their commodities
 “ are taken off, apply themselves with alacrity to
 “ the raising more ; and, at the same time, can
 “ afford to take better and more clothes from their
 “ tradesman, whose price is the same as formerly,
 “ and their industry only whetted by so much
 “ new gain. It is easy to trace the money in its
 “ progress through the whole commonwealth ;
 “ where we shall find, that it must first quicken
 “ the diligence of every individual, before it in-
 “ crease the price of labour.

“ And that the specie may increase to a con-
 “ siderable pitch, before it have this latter effect,
 “ appears, amongst other instances, from the fre-

“quent operations of the French King on the
 “money; where it was always found that the aug-
 “menting of the numerary value did not produce
 “a proportional rise of the prices, at least, for some
 “time. In the last year of Louis XIV. money was
 “raised three-sevenths, but prices augmented only
 “one. Corn, in France, is now sold at the same
 “price, or for the same number of livres, it was
 “in 1683, though silver was then at 30 livres the
 “mark, and is now at 50: not to mention the
 “great addition of gold and silver which may
 “have come into that kingdom since the former
 “period.

“From the whole of this reasoning we may
 “conclude, that it is of no manner of conse-
 “quence, with regard to the domestic happiness
 “of a State, whether money be in greater or less
 “quantity. The good policy of the Magistrate
 “consists, only in keeping it, if possible, still in-
 “creasing; because, by that means, he keeps
 “alive a spirit of industry in the nation, and in-
 “creases the stock of labour, in which consists all
 “real power and riches.”

Essay on Money.

The effects of enlarged issues of paper would be precisely the same. The additional money put into circulation would be spent, in causing an additional demand for labour; and this would spread, as Hume has described, through the ramifi-

cations of society, and give general satisfaction. This will enable us to account for the different Governments of Europe being able to carry the depreciation of their currencies to so great an extent as some of them have done. But the true evil of depreciation would still be great, on account of its injustice to those whose property was in money. No other evil consequences, however, would follow. It would be subject afterwards to no variation in amount from internal causes, like ours. It would be equal, if not superior, to the precious metals in that particular, for it would be less liable to be hoarded. Now, if there were not a greater amount of such paper in circulation, than there would be of metallic currency, if there were no paper; and it was consequently of the value of metallic money; or if it were payable in metallic money at its existing value, it would be easy to make such a currency at once represent a metallic circulation in all other respects. All that would be necessary, would be, that the Government, after making it thus payable, should not alter its amount on any other than the following principles:—

First. When the precious metals were imported and sent to the Mint to be coined, let Government give the parties bringing them new paper, instead of new coin for the amount; and next, when any persons wanted money to export, let them take paper of the value they wanted to the Mint, and obtain the gold or silver they required; and let

the Government cancel the paper which it would thus receive.

The amount of a metallic currency could only be increased and diminished by importation and exportation. When imported, it would be taken to the Mint to be coined into the coin of the country, and when exported, either the coin itself would be sent, or be melted down, and sent in the shape of bullion. With this exception, the amount in circulation would remain undisturbed. And this would precisely be the case with a Government paper, payable in cash, on the above principles. If the value of the money imported, we shall say, were a thousand pounds, a thousand pounds in paper, instead of a thousand pounds in coin, would be added to the circulation. On the other hand, if a thousand pounds in bullion were obtained at the Mint for paper, and exported, and that amount of paper were cancelled, the circulation would be diminished in the same degree, as if the coin itself had been exported.

On this plan, if the Government did not, or had not the power to increase or diminish the circulation in any other manner, a paper currency would regulate itself in the same manner as a metallic currency, be as unobjectionable in every other respect, and go on without interference, if it were deemed proper, for centuries, as a metallic currency would do. Now the plan which I proposed was simply, that our paper currency should be

converted into a self regulating Government currency, payable in gold, on these principles. All power to be taken either from individuals, or Ministers, to increase or decrease its amount in any other manner.

The general principles were thus sufficiently simple, but the substituting of one system for the other, was the chief difficulty. Our paper is issued by Banks so weak, and upon principles so ephemeral, that to talk only of taking the currency from them, would be to lead to such a preparation for it, and contraction of their issues, as might cause the most serious consequences: for our own experience has sufficiently taught us the truth of Hume's description of the effects of a diminished circulation.

“ A nation, (he observes,) whose money decreases, is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand. This will be easily accounted for, if we consider that the alterations in the quantity of money, either on one side or the other, are not immediately attended with proportionable alterations in the price of commodities. There is always an interval before matters be adjusted to their new situation; and this interval is as pernicious to industry, when gold and silver are diminishing, as it is advantageous when these metals are increasing. The workman has not the same employ-

“ ment from the manufacturer and merchant :—
 “ though he pays the same price for every thing
 “ in the market. The farmer cannot dispose of
 “ his corn and cattle, though he must pay the
 “ same rent to his landlord. The poverty and
 “ beggary, and sloth, which must ensue, are easily
 “ foreseen.”

Essay on Money.

Prudence would, therefore, naturally suggest, that before the currency be touched, the system of Banking should be improved. A surgeon of ordinary judgment would never commence an operation with a patient too weak to bear it, if he saw an easy mode of giving him previously the strength requisite. Now Public Banks would have no such timidities. There would be no difficulty in dealing with the Scotch Banks—they could accommodate themselves without difficulty to any change that might be thought necessary. The first thing to be done, therefore, would be to introduce the Scotch system. This was likewise the more necessary, as, with the present system of Banking, such a currency would hardly be an improvement. The runs and panics to which our Banks are liable, render it necessary that a power of instantaneously enlarging the issues of paper should exist. A Banker is the medium between the lender and borrower—between the party who has saved incipient capital, and the party who has spent

it. The, money therefore, which has been placed with the Bank on the one hand, has been lent and spent on the other. It has ceased to be money or incipient capital. It has become real capital, and only exists in the form of goods, buildings, land, &c. Yet the Banks have obliged themselves to pay, without any notice, all those parties, on demand, who have lent them this money. This they can do in ordinary circumstances. They know by experience that only a very limited amount of the deposits made with them, will ever be demanded at one time; and that while one party is drawing out money, another, on the average, is paying it in. But if, as in case of panic, the Banks have a run upon them for immediate payment by all their depositors at once, that is demanded which has ceased to exist: and without a power, by the Bank of England, or other Banks of equal credit, of creating new money to meet the occasion, all the Banks would stop payment.

Hence, Banks of inferior credit would be infinitely more liable to stop payment under the proposed system, than under the present. This, again, would render the public more distrustful of them, and make them more subject to panics than before. The currency would thus be more liable to be suddenly withdrawn from circulation; prices would be more liable to fall, and embarrassment and ruin to spread in every direction.

In short, the present system of Banking could not exist with a pure system of currency. The vice of the one is required to palliate the vice of the other. A good system of currency would necessarily require Banks which could not be distrusted. The introduction of the Joint Stock system of Banking must, therefore, of necessity, precede such a change in our currency. Besides this, such Banks would, in themselves, be a great improvement in our system of currency, as has been explained much at length in another treatise.* They would also put the country out of all further danger of derangement of any kind, and give time for the consideration of so new a proposition, as that of taking the currency from the Banks altogether. In every point of view, therefore, the introduction of Joint Stock Banks, as a preliminary step, was desirable. But there was this further reason besides—they would make the best agents in the conducting of such a currency.

As a paper currency, it must be remembered, wears out, and requires renewing, and there must be places where it can be renewed. It would be extremely desirable, also, for the prevention of forgery, that particular Notes should only circulate in particular districts; and, as a consequence,

* The Plan of a National Establishment for Country Banking, and the principles by which it is recommended.—Ridgway.

as well as for other reasons, it was desirable to have a system of managing the internal balances of payments, without remittances of Notes. With a metallic currency, a balance of trade and payment, between different districts, would be made in coin, in the same manner as between different nations. But with our currency, as has been already mentioned, this is managed by Bankers' drafts upon London, and a convenient substitute for this system would be requisite. Finally, the constitutional jealousy of the English, on such a subject as that of currency, appeared to render it desirable, that the agents of Government, in working the machinery of the measure, should be public bodies. Hence, I proposed the following plan :—

1. That, in the first place, Joint Stock Banks, with ample capitals, should be established in different parts of the country.

2. That the circulation of the country should then be divided amongst them ; and that the Bank of England should have the circulation of London.

3. That instead of a stamp duty, each Bank should allow the Government a per centage, say two or three per cent. upon the amount of their circulation ; and that Government should relieve the Banks from the payment of their Notes in cash, and pay them itself, in the following manner :—

4. That the circulation should be exclusively paper, presuming, from experience, that if the paper were issued by Joint Stock Banks, with large capitals, under the guarantee of Government, there would never be any demand for gold for domestic circulation; and as there were other important advantages which I have not alluded to, that would attend an exclusively paper circulation, properly regulated, I did not contemplate the payment of the Notes by the Banks upon demand, in coin as at present. This, however, is not essential. Coin might circulate as well as paper, if it were preferred. It would not in the least derange the plan.

5. That an office should be established in London, for the receipt and payment of Bullion, under the superintendence of commissioners, or other officers.

6. That on Bullion being imported, it should be lodged at this office, and a receipt, to be termed a Bullion receipt, given for it, which should be an order for its value upon the Bank of England, or any Bank in any other part of the kingdom, to which it might be presented to be paid in new Notes. By this, of course, as many new Notes would be added to the circulation by the Bank of England, or some other Bank, as would have been added to the circulation in new coin, had the currency been entirely metallic, and the Bullion been coined at the Mint and put into circulation.

7. That any party wishing to remit gold abroad, should, by taking Notes to any Bank, obtain a Bill upon the Commissioners for the value in Bullion; such Notes to be cancelled or withdrawn from circulation by the Bank, on giving such Bill. By this means, the circulation would, on the other hand, be reduced by the amount of the gold exported; as would be the case with a metallic currency, if an equal sum of coin were taken out of circulation and exported.

8. That neither the Government, nor any Bank, should have the power of either adding to, or diminishing the total circulation of the kingdom in any other manner. This power, if ever exercised, should only be exercised by Parliament, or by the King in Council, during the recess of Parliament.

9. That as regards the internal circulation, and balances of payments arising between different towns and counties, these should be managed by Bullion Bills. Any party desiring to remit any sum of money from one place to another, should obtain of any Bank a Bullion Bill, or Bill upon the Commissioners, as if he wanted gold, the Bank cancelling the Notes given for it; and this Bill should not only be an order for Bullion, but an order upon any other Bank, to which it might be presented for a like sum in new Notes; and that such a price to be put upon these Bills as would prevent their being demanded, except when, with a metallic currency, coin would be

remitted to adjust such balances of payments between the different parts of the kingdom, as should arise.

By this plan, all general contractions and expansions of the currency would be avoided, unless produced by an exportation or importation of the precious metals. The Bullion Bills would always represent coin, whether they were presented for payment in Bullion to be sent abroad, or were presented to any Bank for payment, by a creation of fresh paper. If we had a metallic currency, the balance of payments between different parts of the country should be settled by a remittance of coin, which remittance would diminish the circulation of the town or district from whence it was sent, and increase the circulation of the place to which it was sent. A Bullion Bill would have the same effect, and as coin would circulate any where, so it was proposed that a Bullion Bill should be a general order, the same as a Bullion Receipt, upon any Bank to which it was presented.

The whole would be thus a mere piece of mechanism. Neither the Joint Stock Banks, nor the Commissioners, would be more than agents in conducting it.

If there be the least difficulty in comprehending the principle of this plan, the reader has only to

imagine—the Bank of England to be the sole Bank in the kingdom issuing Notes; that its issues amount to, say fifty millions, or any other sum, and that it has no power to increase or diminish them, unless in purchasing gold or in selling it; that it must buy all the gold offered to it with new Notes, and cancel all the Notes, for which it gives gold in return; and that, by consequence, its circulation would never exceed fifty millions, except gold came into the country, nor be less than fifty millions, unless gold were exported; so that the fluctuations would be confined to the amount of gold imported and exported.

The plan which I have proposed is merely requisite to adapt our currency to this principle, in the easiest and safest manner, in the first instance; and, in the next, to conduct it on the least objectionable, as well as cheapest principles: for there is no doubt, that while the Public Banks, proposed as agents, are more to be trusted, they would do the business more reasonably than it could be done by any other method.

The importation and exportation of gold into this kingdom, is no doubt frequently very considerable, and it might be inferred, that great fluctuations in the currency might, under this plan,

still result from this cause. But this would not be the case.

Those importations and exportations, it must be observed, have never been natural. They were caused by the previous fluctuations of our paper, and would not otherwise have occurred. In 1815 and 1816, we had a great importation of the precious metals. But not until our currency had been for some time beneath its proper level. This, with the excessive importations of corn produced by a bad harvest, led to a re-action, and large exportations of the precious metals occurred in return.

In 1819, and from that to 1823, our currency was contracted to a greater extent than before, and the precious metals were consequently imported in larger quantities than ever. In 1824, and 1825, when our currency began to expand again, another re-action was produced. An excess of imports followed the long check which they had received, in consequence of the previously ruined state of the country; and gold began in consequence to flow out of the country again, in discharge of the unfavourable balance of payments thus caused.

But this was all unnatural—the result of one extreme begetting another. These extremes, as before observed, having been produced by the fluctuations in our paper. In times of peace and undisturbed commercial intercourse, except from

a bad harvest, our foreign trade would balance in commodities, or nearly so. Generally speaking, there would neither be importations nor exportations of the precious metals, except in transit.

The trade, it must be observed, of all nations on the average, must balance without money—must be an exchange of commodity for commodity. The effect of an importation or exportation of money is not merely to settle the balance between them with money, when it will not balance without it, but it has another and more important effect, which political economists have overlooked. And that is, to prevent the same inequality in the amount of exports and imports between the countries from again occurring, so as make their trade balance without money in future.

All trade, both domestic and foreign, consists in exchanges of commodities, and money is only the instrument by which they are valued, and the barter conducted. Trade, for example, could not be carried on by any nation long, that would sell its goods for money alone, even if other nations were willing to trade with it on these terms. Suppose we were to pass a law, that no one should import foreign commodities into this country, though they might export whatever they thought proper, and foreign nations were to continue to trade with us under these circumstances; and of course to pay us with money, for whatever they purchased from us. The effect of this would, of

course, be, that our prices would rise, and theirs would fall. The monied income of their consumers would be diminished, while the prices of our commodities would be increased, until, in time, the trade would be put an end to, by the high price of our goods, and the impossibility of their purchasing them for want of money to do so. This result would be inevitable. No other trade can be carried on for a continuance, but that which consists in an exchange of commodities. By such an influx of money, we should gain nothing; nor would the nations we treated with lose any thing. The only difference would be, that, in the notation of payments, gold with us, would, perhaps, come to express the value that silver had done before, and silver with them to express the value that gold had done before. The respective alterations in the value of money would have merely terminated a trade which consisted in giving something for nothing; for money, under these circumstances, would not be worth having.

Thus, trade must consist in an exchange of commodities. But in conducting the exchanges, it must be observed, that an acre of produce, with us, is worth more, probably, than ten acres of produce in Russia; and the labour of the artisans of England is of infinitely more value than the same amount of labour in almost any country we deal with. It is not, however, by the quantity of labour in a commodity, so much as by the de-

mand for it, that its value in the exchange is estimated; and the process of the valuation, from what we have already remarked, is obvious. In consequence of the skill of our workmen, and the perfection of our machinery, our commodities are in great request amongst the nations we deal with; and they, in return, have articles, particularly of raw produce, which we are desirous to obtain. But this kingdom possesses only about twenty-two millions of people in round numbers,* and our demands for the produce of other nations must be confined to the consumption of the twenty-two millions of people we possess. Whereas, our articles are light and portable, can easily be transported over the whole world, and are in demand over the whole world. Notwithstanding this, our trade must be confined to an exchange of commodities, and the demand of the whole world for our commodities must be limited to our demand for the commodities of the world. But let us suppose, for example, that, at any existing state of prices, throughout the world, the demand of the whole world for our manufactures were double our demand for the commodities of the world; that our exports, for instance, amounted to forty millions, and our imports to only twenty. We should, of course, receive twenty millions in money; an elevation would, consequently, take place in the price of our commodities, and a de-

* By the census of 1821.

pression in the prices of the commodities of the countries from which the money was received. This would have the effect of diminishing their power of purchasing our commodities, and of increasing our power of purchasing theirs. The next year, therefore, they would buy less of ours, and we more of theirs; and the balance of payments in our favour would be diminished. But it would still continue in our favour, until their demand for our commodities was reduced to a level with our demand for theirs; and this being once adjusted, would not, without an unusual cause, be liable to any particular change.

In times of peace, therefore, when this equality was once properly settled between us, and the nations trading with us, nothing but a bad harvest could arise to disturb it; and hence it would only be once in ten or fifteen years, (for bad harvests do not occur more frequently,) that it would be disturbed; and even this might be prevented by a proper system of corn laws, and proper measures adopted with regard to our currency at these periods; but which, under the present system, would be impracticable.

In short, by the plan proposed, these great exportations and importations of money would be altogether avoided, and the evils which attended them. We cannot, of course, have, at one time, an excessive demand for our manufactures, by which the balance of payments is determined in

our favour to the extent of ten millions ; and, at another time, a diminished demand, by which the balance of payments is turned against us to an equal extent, making a difference of twenty millions in the demand for commodities, without great fluctuations in the demand for labour. Without the manufacturing population being, at one time, in full employment, with high wages, and, at another time, in great distress, for want of employment—a state of things we now constantly experience. If the demand for their labour was even more frequently superabundant than otherwise, which, I am afraid, is not the case, twelve months of superabundance will not compensate for three, or even one month of starvation. It would be infinitely better for them to have a steady demand at steady prices, whatever the prices might be. There cannot be a worse preparation for want by an improvident class, which the operative manufacturers are, than previous abundance. Now, the constant tendency of a proper currency would be to bring about steadiness of demand ; but this it is, the constant tendency of ours to frustrate. Our manufacturers are frequently in a state of starvation from no other cause than the vacillations in trade produced by our currency, in the manner thus pointed out : aggravated, indeed, by another evil, which this plan would remedy ; but which did not occur to me, until my attention was afterwards

called to it by the pressure in the money market, which was experienced previously to the panic in 1825.

It is found by experience, that an importation and exportation of the precious metals has an effect upon the value of money or incipient capital, and the price of the funds—that when gold is imported, money becomes plentiful, and the funds rise, and that when it is exported, it becomes scarce, and the funds fall. Now though this is invariably found to be the case, it is not the natural effect of the importation and exportation of money to have any effect upon the value of capital whatever.

When the balance of payments is against us, and we export money, it arises from our having imported more foreign commodities than other nations have taken of ours in return. If a thousand pounds of gold, the currency being, we shall say, a metallic one, be sent to Portugal, in return for wine consumed in England, it is clear, in the first instance, that the Portuguese merchant gains no capital by it. He has sold his wine, and received payment in money direct; but it would have been the same to him, if he had received a bill payable in Portugal, drawn for English goods sent to Portugal, and had obtained his £1000. upon the spot, from the consumers of these goods. The fact of his obtaining

the money from England direct, does not give him, or any one to whom he may pay it, the command of a shilling more capital than he would otherwise have had. The value of the currency only would be affected by it. A thousand pounds sterling, converted of course into the coin of Portugal, would be added to the circulation of Portugal, and a corresponding elevation of prices would take place ; but the supply of capital, and the interest of money, would remain undisturbed. The same in England—the wine would be paid for out of that part of the incomes of those who consumed it, which they intended to consume, and not to save. The money would be paid to the wine merchant, who, instead of paying a Bill, drawn in favour of some manufacturer, for goods sent to Portugal, would send it direct to Portugal himself. In doing this, he would take no money or incipient capital out of the money market ; and neither he nor any other person would have less capital than before. A thousand pounds, by the money being exported, would be taken out of circulation, and prices lowered to that extent ; but that would be all. The value of the currency would be affected, but not the value of capital.

On the other hand, if an English manufacturer sends his goods to Portugal, or elsewhere, and receives payment for them in gold imported, he likewise is not richer for receiving payment in that way—such a payment adds nothing more to

his capital, than if received upon the spot, by a Bill drawn for Portuguese wine. He would not be able to put a shilling more into his Banker's hands, or into the Public Funds, than he would otherwise have done. An exportation and importation of money, by passing through many hands, in its passage from the consumer at home, to the producer abroad, and *vice versa*, appears involved in mystery, and seems complicated; yet, in reality, it is simply a transaction between producer and consumer, which the intermediate parties are employed in facilitating; and properly has no more to do with the money market, and the Funds, than any dealings between consumer and producer at home. An importation and exportation of gold ought, therefore, in the money market, to be perfectly unfelt and unknown.

The reverse of this is, however, the case. It is consistent with the experience of half a century, that an importation of gold with us makes money or capital plentiful, and raises the Funds; while an exportation of it makes it scarce, and lowers them; the former encouraging speculation, and the latter frequently producing failures, panics, and general distress.

Now these unnatural consequences must arise from a defect somewhere; and this defect is in our currency, which doubles itself on reaching this country, and *vice versa*. All gold received by the nation is imported into London; but the debts

due to it, for which the gold is received in payment, are due to the country at large, and with a metallic currency, the greater portion of it would be coined at the Mint, and be sent down into the country, where it would circulate. But with our currency, this is not done. A Bill is drawn for it upon London instead, and is discounted with the Country Banker, who gives his Notes for it. The person who would otherwise have received the gold, gets Banker's Notes, which answers his purpose as well, and in the country no difference is felt. The circulation is enlarged, but there is neither more nor less capital in the market than before. But the Country Banker, at the same time, has received the Bill drawn for the gold, and, by consequence, the gold itself. Now he does not bring it down into the country, and lock it up in his coffers. This would not answer his purpose. He receives the gold, and after either coining it, or selling it to the Bank of England, puts the money, by means of his agents, into circulation in London, by lending it at interest, or by purchasing Exchequer Bills, or other Government securities with it. He has previously supplied with his Notes the circulation wanted in the country, and he now puts an equal amount into circulation in London. In doing this, he makes no unnatural change in the country. But he adds to the circulation of London unnaturally, and immediately creates a corresponding amount of incipient capital. By this means, a pressure of capital is pro-

duced, the interest of money falls, and it is pressed into circulation, until it is converted from incipient into real capital.

The Country Banker, who is the chief agent in the affair, it must, however, be remarked, is perfectly unconscious of his agency. All that he knows is, that Bills upon London are more plentiful, and that his circulation increases on the one hand, while his Funds in London become greater on the other. The true cause of this, his own experience would never suggest to him.

On the other hand, when gold is sent out of the country, the reverse of this takes place. It is due to foreigners by the country at large; but people in the country have only Bank Notes to pay with. These they consequently take into the Banks, and get Bills upon London for them. To pay these Bills, the Country Banker, by his agent, must sell the stock he had before purchased, and, with the money realized by the sale of the stock, the Bill is paid, and the gold obtained, and sent out of the kingdom. The circulation, which was before increased, is now diminished. In order to this, the money which had been pressed into circulation before, must now be forced out again; and as it is easier to lend money to those who mean to spend it, than to get it back again after it is spent, so a corresponding difficulty is felt. People in trade are forced to reduce their stocks at a loss, and discontinue their orders. Some fail, and all suffer; and as a pressure upon the heart disturbs the cir-

ulation, and is felt in all parts of the body, more than a pressure upon any other part of our corporeal system, so a scarcity of money, and suspension of trade in London, which is the centre of our commercial system, is immediately felt, in a similar manner, throughout the whole kingdom; more particularly by the Country Bankers, who have mismanaged, and are deficient of Funds in London. At such periods, these Bankers fail; and this again makes matters worse, by adding panic, and obstructed circulation, to the difficulties already felt.

These effects, however, are always, in a certain degree, neutralized by the operations of the Bank of England. When people want to export gold, they always obtain it from the Bank of England, as the least troublesome way of getting it. On the other hand, money, when imported, is seldom sent to the Mint to be coined; it is sold to the Bank of England. Now, if the Bank, when gold is exported, does not diminish its circulation, no effect is produced. If when Notes are brought into the Bank, and gold for exportation obtained for them, they are immediately re-issued, the effect of the operation is neutralized. Exchequer Bills are, probably, sold on behalf of the Country Banker, for the Notes with which the gold is demanded; but if the same amount of Notes is immediately re-issued in purchase of Exchequer Bills, by the Bank of England, the practical effect is, a transfer of Exchequer Bills from the Country Banker to

the Bank of England, in purchase of the gold exported, and the circulation and money market of London remain undisturbed. On the other hand, when gold is imported, and sold to the Bank on behalf of the Country Bankers for Notes, if these are sent on to the Stock Exchange by the Country Banker, and laid out in Exchequer Bills, which the Bank of England sells, the effect of the importation is neutralized ; the Notes which the Bank has issued for gold, it gets back for Exchequer Bills. The issues of the Bank are not, therefore, increased. The effect simply is, that its stock of gold is increased, which increase of stock it has purchased of the Country Bankers, by transferring over to them an equal value of Exchequer Bills, and the money market remains undisturbed.

If, in short, the Bank, on an importation of gold, does not increase its issues, and on an exportation does not decrease them, the money market remains as before. It silently counteracts the effects which would otherwise be felt. But the Directors do this only in part. An importation is indicative to them of a want of currency ; and imagining that they have a controul over the issues of the Country Banks, they generally, during an importation, increase their issues in a certain degree. Besides which, they are induced to do so as much as possible, to diminish the loss they would otherwise suffer : for, by converting their Exchequer Bills into gold, they lose all interest upon them ; and

this they, of course, are desirous to avoid as much as possible. If, therefore, an importation of gold takes place to the extent of eight or ten millions, I apprehend they would increase their issues three or four. And, on the other hand, if an exportation to that extent takes place, they would diminish their issues three or four millions; having, it must be also observed, a belief that they can stop an exportation of gold by this means. Their circulation seldom, however, appears to fluctuate beyond three and four millions, while the exportations and importations of gold go on to twice that amount.* Nor would the money market of London bear a greater contraction than three or four millions in Notes, and coin in proportion, and that, too, effected by slow degrees. The contraction

• From 1819 to 1823, the importations, as before observed, were between twenty and thirty millions, which were, in a great degree, neutralized by the operations of the Bank. It may, however, be observed, that the importation of gold is another means of counteracting the effect of the pressure of capital, in contracting the currency of the Country Banks. Country Notes would be re-issued, for, at least, four-fifths of the gold thus imported, though Bank of England Notes were not; and the effect of the pressure of capital, at that period, must not only have been such, to have contracted the circulation as much as it did, according to the returns made to Parliament, but to have contracted it to the extent of four-fifths of the amount of gold imported besides. There can be little doubt, therefore, that between 1819 and 1823, the total contraction would far exceed the sum total of the currency. Our country circulation was more than annihilated.

which took place in 1825, was only three millions and a half, and it produced the late panic.

The Bank of England, in short, is in this most unnatural position. Gold is not imported and exported into this kingdom, merely to perplex the Directors. It comes to supply a deficiency in the currency, and goes to correct a redundancy; and it is counteracting the intentions of nature, and most injurious to the interests of those, whose interests are affected by the state of prices, for the Bank to neutralize these importations and exportations in the least degree. There is no doubt, that, but for the operations of the Bank of England in this way, the severity of the Agricultural distresses of 1821 and 1822 would not have occurred; possibly, as we have before stated, there might have been no distress at all. On the other hand, if the Bank does not step in, to prevent the full influence upon the money market of these importations and exportations. If the Bank were to increase its issues eight or ten millions at one time, and contract them eight or ten millions at another. Or, if it were to allow this to be done through the Mint, by the gold itself being put into circulation, and taken out again—the Bank keeping its issues steady, and itself free from blame—the Banking interest of England, and the Commercial interests of London, would constantly vacillate between such a plenty of incipient capital on the one hand, as would almost render it valueless, and such a scarcity of it on the other, as would leave neither Bankers

nor Merchants, however large their property, or unbounded their credit, the means of making, in the metropolis itself, their current payments.

The consequence is, that let the Bank of England do as it will, it can not do right. It must either do wrong by the currency, or by the money market of London. This may, in some degree, account for the excessive schooling the Directors have been accustomed to receive. Most people could see there was something wrong in whatever steps they took ; though few could see far enough to understand the difficulty of their situation.

Hence it is this power of doubling itself ; or, what we may term this duplicate property, which our currency confers upon gold imported, and the reverse ; that causes those fluctuations in our Funds, and the abundance and scarcity of money so frequently experienced in London ; and for this the plan proposed, affords a perfect remedy. A Bullion Receipt, given for gold imported, would only authorize one Bank to issue Notes to the value of such gold ; and, on the other hand, a Bullion Bill would only contract the currency, to the amount of the precise sum exported.

By the measures proposed, namely, the establishment of Public Banks, and this plan of currency, we should thus rid ourselves of four of the greatest curses that a country was ever afflicted

with. 1st. We should get rid of fluctuations in the prices of commodities generally, and of agricultural produce in particular, from which such indescribable miseries have arisen. 2nd. We should get rid of those fluctuations in the money market of London, from which so much evil continually flows. 3d. We should, in a great degree, prevent those variations in the demand for our manufactures, which are the constant source of misery and distress. And, lastly, by the establishment of sound Banks, we should relieve ourselves from the evils which have resulted from Bank failures and panics.

Advantages so great would, of course, be worth some sacrifice. But one merit of the measures proposed is, that they call for none. The establishment of sound Banks, in the first instance, would be attended with no inconvenience. This does not rest upon theory, though demonstrable in argument. It has been tried. These Banks have been introduced into Ireland, and have, in some places, Belfast, for instance, superseded the previous system; and enquiry will prove, that not the most trifling inconvenience of any kind was suffered by the change; but that, on the contrary, the greatest benefit from the very outset was derived from them. They have also been established in different parts of England; and enquiry will equally prove, that nothing but good to all parties has attended their progress.

These Banks being once established, nothing

can be more easy than the subsequent change proposed in the currency. All that will have to be done, will be to determine that, on a particular day, instead of the Banks paying their own Notes, the Government shall pay them; and if the arrangements are conducted with skill, the public will be perfectly unconscious, from any thing that will appear, that the change has been made.

It has also this other advantage, that it is a plan which must be considered an improvement by all parties. The advocate of a gold circulation would surely prefer a plan, which would make the whole currency equal to a gold circulation, instead of having only one-third gold, as at present; and their opponents would surely prefer a regulated paper currency to that, which one of the most eloquent supporters of their opinions thus describes:

“ The issues of the Bank of England form, however, only a part of the paper currency of the nation; and here we open a most important view. In the words of the Bullion Report of 1810, ‘ the paper of the Country Banks is a superstructure, raised on the foundation of the paper of the Bank of England; the foundation being enlarged, the superstructure admits of a proportionate extension; and the excess of the Bank of England paper will produce its effect on prices, not merely in the ratio of its own increase, but in a much higher proportion.’ And again, the converse is also true; for a contraction of the issues of the Bank of England produces

“ always a proportionate diminution of Country
 “ Bank paper ; and a reduction of prices far
 “ greater than commensurate with the decrease of
 “ the issues of the Bank of England : though the
 “ effect produced on prices, by the conjoint ope-
 “ ration, both of the Bank of England, and of the
 “ Country Banks, were not in proportion to the
 “ increase or decrease of the issues of either, taken
 “ separately ; yet, it might be imagined, that, as
 “ between each other, some fixed proportion must
 “ exist in the amount of their outstanding paper.
 “ The fact, however, is otherwise ; for in periods
 “ of excess, the issues of the Country Bankers have
 “ greatly exceeded the rate of increase by the
 “ Bank of England ; and, in periods of con-
 “ traction, the diminution has been more violent
 “ and unlimited.

“ This is a result most dangerous to the safety
 “ of the Bank of England, and fatal to the attain-
 “ ment of steady prices ; it is dangerous to the
 “ Bank, because, though unable to controul the
 “ issues of the Country Bankers, it is responsible
 “ with its gold, when the exchanges are turned, in
 “ consequence of the general excess of the cur-
 “ rency, and bullion becomes an article in demand
 “ for exportation. Steady prices are impossible,
 “ because, without a check on excess, it is the
 “ interest of the issuers of paper to push their pro-
 “ fits to the utmost verge, and to increase the cir-
 “ culation until the exchanges actually turn, when
 “ the Bank of England, in self defence, contracts

“ its currency, and ultimately forces a contraction
 “ of the country paper also, and then commences a
 “ rapid and ruinous fall of price, succeeded, in its
 “ turn, by a recurring rise. The country is thus
 “ exposed to perpetual oscillation, between hollow
 “ prosperity and real calamity, whereby uncer-
 “ tainty is introduced into the value of all pro-
 “ perty, and a spirit of gambling, and of fraudu-
 “ lent speculation into the ordinary transactions of
 “ domestic life.”*

Sir James Graham, on Corn and Currency.

These oscillations, my plan would put an end to. An alteration of the standard may or may not be desirable. But with this question it does not interfere: it would be as necessary with a depreciated as an undepreciated currency. Hence, the two points for which the advocates of depreciation contend, would still be open, if the plan were adopted; namely whether with gold, at £3. 17s. 10½*d.* per ounce, the average price of commodities can be kept above the average of the last century, which did not exceed 50s. for wheat, and other things in proportion; and, next, whether we can continue to pay the interest of our National Debt, in money of nearly double the value of that in which it was chiefly contracted. Should, indeed, any alteration in the standard be thought desirable, it would be proper to intro-

* This was written in 1826, after the panic.

duce the plan first ; for with the plan, the amount of circulation could be more accurately proportioned to any depreciation that might be resolved upon, than at present ; and this being the case, I anticipate that it will be as much approved by the Anti-Bullion, as by the Bullion party.

CHAPTER VIII.

My Plan of Currency proposed to Mr. Ricardo.—His Plan for a National Bank taken from it, without acknowledgment.—The latter circumstance animadverted upon.—Rights of Authors.—The infringement of those Rights by Ministers, Committees of Parliament, &c. fraudulent, and the moral example pernicious.—Sir Thomas Lethbridge.—Mr. Matthias Attwood, and Sir James Graham.

My work on Political Economy was a failure. But still, as has been already observed, I conceived my plan was worthy attention; though I had not so fully developed it in all respects, as I should have done with more leisure. But, unfortunately for it, the prices of agricultural produce began to rise immediately after the work was published, the hopes of the agriculturists revived, and the currency and every thing connected with it was immediately forgotten. It was a subject the public did not relish, for they did not understand it, and had been bored with it. It must, therefore, have appeared in a much more inviting form than it did in my book, to have, under these circumstances, obtained any attention.

I applied, however, to the late Mr. Ricardo, with whom I had previously become acquainted, and proposed to him, as a question peculiarly his own, to bring the plan forward in Parliament. This he did not altogether decline; for he approved of the mea-

sure, and thought it desirable. But he differed with me as to its details. He preferred, for instance, individuals as Agents, to Joint Stock Banks; and I understood from him, that, if he brought it forward, it would be with alterations of his own, such as he pointed out. Neither would he be in any haste about it: for he did not think that any improvement in our system of currency was necessary. He merely viewed the measure as desirable, on the score of economy. He thought the nation ought to enjoy the profits derived from the currency, and not the Bank of England and the Country Banks: an opinion he had expressed in his work on political economy. My plan merely gave a more practical turn to his views on the subject. He had not, however, it appeared, lost sight of it for a moment: for after his death, which took place in less than six or eight months, a pamphlet was published by his friends, written by him in the mean time, entitled "A Plan for a National Bank."

This plan contained the general principles of mine, with his alterations and improvements, a part of which he had given me notice of. No reference, indeed, is made to me; and his friends, as may be inferred from the Preface, imagined it to be original. A comparison of the two plans, however, will convince them of the contrary. Nor can I imagine that any one, for a single moment, will conceive that his alterations are improvements. For instance: instead of limiting the power of the Commissioners to working the machinery, and making it a self regulating system, which is the chief merit of the plan

suggested by me, he proposes, without assigning any reason for it, to give the Commissioners the power of altering the amount of the currency at their pleasure.

Instead of Joint Stock Banks for Agents, as before mentioned, he proposes individuals. This part of his plan, Mr. Hume, to whom he had shown it, objected to, and proposed Joint Stock Banks, without knowing any thing of mine.

Instead of the simple principle of Bullion Bills, he proposed a different system of drawing Bills for settling the internal balance of payments, which involved him in a difficulty, as he confessed to his friends; but which difficulty the system of Bullion Bills altogether avoided.

Instead of the easy transition from one system of currency to the other, which I proposed to effect, by making the Joint Stock Banks, previously formed, and already issuing the chief part of the currency, the agents, and merely charging them an interest, instead of a stamp duty; he proposed to take from the present Country Banks the whole of their circulation at six months notice; by which the country might possibly be convulsed from one end to the other; but by which, at all events, much evil must be produced, and no equivalent gained.

He further proposed that the Commissioners should undertake the business at present performed for the Government by the Bank of England. This, however, was a separate question, with which my plan did not interfere.

It is difficult to suppose that Mr. Ricardo had contemplated publishing a plan, the general idea of which was taken from mine, without acknowledgment, yet, from his silence respecting me, in conversing with his friends; from his allowing them to imagine the idea had originated with himself, and from his altering the details for no other intelligible reason than a wish to make the plan his own, it seems not improbable that he proposed to serve me, as he had been served himself.

Whether it was the influence of high example that could lead him to contemplate anything so unfair, it would be difficult to say; but, when a greater novice in such matters, he certainly behaved with more candour; it would, perhaps, not be improper to say, with more honesty. In the pamphlet which gave rise to the Report of the Bullion Committee, he observes—

“ I am well aware I have not added to the stock of information with which the public has been enlightened by many able writers on the same important subject. I have had no such ambition,” &c.

This, indeed, would not, in itself, have been sufficient; for general acknowledgments, like general invitations, amount to nothing, but the appearance, without the reality. He, however, referred to Lord King in the preface, and to Mr. Thornton in the body of the pamphlet, from which, it would be naturally inferred, that, in the general acknowledgment above mentioned, he alluded to those parties more particularly.

Since this, however, he had been taught a different

lesson. Not only did Mr. Horner rise into reputation by his aid, without noticing him in the least; but he was copied in that respect by all the host of pamphlet writers that followed on the subject; and Mr. Huskisson even went a step further. In the preface of a pamphlet published by him, in defence of the Bullion Report, he observes—

“ In the present state of the question, surely no
 “ man, who takes any interest in public affairs, more
 “ especially if he have any legislative duty to discharge,
 “ will hesitate to acquire that knowledge; and to over-
 “ come any disinclination that he may feel from the
 “ natural dryness, or supposed intricacy of the ques-
 “ tion. The necessary information is to be easily
 “ obtained, by resorting to the history of our cur-
 “ rency in former periods, and to those authors, in
 “ our own language, who are looked up to as of the
 “ highest authority in political economy. To which
 “ I may add, that, *since the agitation of the question*
 “ *in Parliament*, several excellent publications on
 “ the subject have made their appearance.

“ Of most of these publications, however, including
 “ even the very able pamphlet of Mr. Blake,” &c.

This, under the appearance of modesty and of candour, which always begets confidence, conveys the erroneous impression, that the Bullion Report, in which he wished it to be understood he had taken a leading part, was an original production, and had been composed without any other assistance than might be obtained from Locke, Hume, Smith, and other ancient writers; that, of course, no assistance had

been obtained from Mr. Ricardo, or any other modern author ; and that Mr. Ricardo's pamphlet was published after the Report, as well as the host of others that had appeared. This was not simply taking the credit indirectly, as Mr. Horner did ; it was claiming it, and Mr. Huskisson was high authority for such a practice.* But it was even sanctioned by higher authority still. Mr. Ricardo, at this time, had recently witnessed, in his own case, an example of it. The Committees of both Houses of Parliament, on cash payments in 1819, the Chairmen of which were Lord Harrowby, and Mr. Peel, had, as already mentioned, recommended to Parliament his plan of Bullion payments, which was adopted. But, in their Reports, they never said it was his, nor thanked him for it. In recommendation of it, Mr. Peel's Committee had quoted the names of those who had spoken in its favour, but never mentioned his name from whom they had taken it. Yet that it was Mr. Ricardo's plan, was well known. Mr. Tierney observed, " that some sort of stepping-stone to Mr. Ricardo's Plan (*for it was idle to conceal his name*) " might be prudent, &c."

Hansard's Debates, vol. 40, p. 726.

But the concealing of his name, when it was well known, gave a greater sanction to such frauds, than

* I have understood, that no two Members of the Committee had less clear and precise notions upon the subject at the commencement of the enquiry, than Mr. Horner, and Mr. Huskisson.

if it had not been known: for it showed that the concealment was dictated by no wish to rob him, but was right in itself. That, in short, it would be neither proper nor dignified in a Committee to make such acknowledgments; and if it was beneath the dignity of a Parliamentary Committee to acknowledge any obligation to an individual, though that individual might be Mr. Ricardo, by an easy transition it was beneath the dignity of Mr. Ricardo, a Member of Parliament, and a distinguished author, to acknowledge any obligation to an obscure person like myself. And as little people are ever ready to follow the example of their superiors, we need not be surprised that, in the world of literature and discovery, from the highest to the lowest,

“ The good old rule
Sufficeth them, the simple plan,
That they should take that have the power,
And they should keep who can.”

It is needless to observe upon the impropriety of such conduct, either in Parliament or individuals. It is as much a fraud, as if money were the object, instead of ideas. The person who, in this manner, is robbed of the reputation, or any part of it, which is his due, is either a rich and independent man, or a man who is not rich and independent. If the former, he would much rather be cheated of money than reputation. If the latter, he is deprived of that which would make him favourably known, enlarge the circle of his friends, and give a higher pecuniary value to

his exertions. Mr. Ricardo, being a rich man, would have given a large sum rather than have been robbed by the Bullion Committee; and it would have been useful to me at the time, had Mr. Ricardo pointed out my plan as the source of his own.

It is some excuse for those who are found deviating from the strict course of moral rectitude in such matters, that there are, in reality, no definite rules for their government; and as men are not in general moral philosophers, where rules are wanting they generally contrive to draw them in favour of their own practice.

But I apprehend that the rule ought to be very different from the present practice. Works can, of course, only find their way to the public through the booksellers; and a person purchasing a book, obtains the right to improve his mind, and add to his stock of knowledge by the information it contains. But he has no right to turn that information to any profitable account without acknowledgment, whether in adding to his reputation or his fortune. The ideas which the book contains are not his own, though the book is.

To this rule there are, of course, exceptions; but these only establish it. In the case, for instance, of mechanical inventions. For these the law enables persons to take out a patent; and if, instead of doing this, they publish them, they voluntarily give their inventions to the world. The law having provided them a channel for securing the benefit to be derived from them, if they choose to avail themselves of it, it does not concern itself further. But the law will

not allow any other person to step in, and take to themselves the advantages which the original inventor has declined. I do not, it must be observed, mean to afford the least approbation to our Patent Laws, which, though much improved by Lord Tenterden, I believe are very bad, both as respects the individuals who endeavour to avail themselves of them, and the public: for individual justice and public benefit are rarely found to be at variance. The principle upon which they are founded, however, is good, and it so far establishes the rule, that parties are not permitted, in mechanics, to make a profit by the ideas of others.

Human laws, of course, are the mere enforcement of the rules of equity. As is commonly said, "Laws are not made for honest men, but for rogues;" and there are cases to which the Patent Laws will not reach; but to which the principle of them is as applicable, without human laws, as with them.

The rule we have pointed out, is also confirmed by the laws relative to piracy. But the law cannot take hold of an author unless he copies the words. It must have something more tangible than ideas to fix upon; and it is not necessary, in order to pirate the ideas of another, to adopt his language. It frequently happens that the pirate can clothe them in a better stile, and present them in a more pleasing form than the original. The law can only protect the meaner frauds on the mental rights of individuals: the frauds of booksellers, rather than of authors. For the preservation of their rights, the latter must necessarily be dependent upon the integrity and honour of each

other. But the law sufficiently establishes the principle, if it does not give the protection required.

If, therefore, a Member, a Minister, or a Committee of Parliament, take an idea from the most obscure source, they are as much bound to acknowledge it, as if they took the author's money. It may not suit their dignity, but they must reconcile it with their dignity as well as they can. If they do not like these terms, they may let the idea alone—they are not bound to take it. But if they do take it, they are bound not to steal it. A dignity that can only be maintained by imposition, is a dignity more honoured in the breach than the observance.*

It may, however, be observed, that though writers are necessarily dependent upon the honour

* I do not mean to contend that Speakers are to be for ever quoting the sources of their information. Works that are universally known, and with which every well read man is supposed to be familiar, it is unnecessary to refer to; and even those less known, it might be frequently impossible to notice. A person, however, need never be at a loss how to do justice to any author to whom he may be indebted, should he feel the inclination. I certainly do not mean to say that what a person benefits by in public, he can honourably repay by an acknowledgment in private. But when a public acknowledgment could not be conveniently made, a letter might sometimes be admitted as a substitute; and, no doubt, cases will occur, where any acknowledgment would be impracticable. These, however, are the exceptions, and not the rule. Besides which, if the practice of acknowledgment were once established, the originator of any principle would soon be known; for new views are not so plentiful as some might suppose, and it would not be so very often that acknowledgments would be necessary.

and integrity of each other, the law of honour is not found to be a very slippery dependence, when clearly defined, and properly enforced, by those who give a tone to society. If Government and Parliament were to set a better example, we should, I am persuaded, see different results. Few writers at present consider themselves degraded by a practice, which is dignified in a Minister of State, and a Committee of the Legislature. But, as a class, they consist of men of education and intelligence, who would not do any thing which society considered extremely disreputable, and which those who gave the tone to society never practised. Let fraud be considered by the latter as disreputable in literature, as in common life, and stigmatized accordingly, and a more honourable practice, there cannot be any doubt, would soon prevail, at least, amongst the more respectable portion of the class in question.

It is a curious fact, however, that there is no term in the language by which to express the injustice of which we have been speaking; and it is difficult to stigmatize a practice without a name. In a circumlocution it frequently escapes detection, and never appears in its proper colours. A lie, described as "a circumstance, stated to have occurred, which did not take place," hardly appears a falsehood; and "to take the credit of other people's views indirectly, or by implication," seems a very venial affair, instead of a fraud, chiefly, because it requires a whole sentence to convey the

idea. Now, when a word is thus wanted to express an action, it is not unusual to give it the name of the person with whom the first or most eminent instance of the act has occurred; and as the Bullion Committee presents the most remarkable instance of this practice on record, and it has given to Mr. Horner a degree of reputation, which he might, otherwise, not have had, it seems not altogether unfair, that he should give a name to it. Hence, I would propose to call it Hornering; and I am persuaded, that, should the term be adopted, and works, reports, and speeches, marked by this system of literary imposition, be designated as Hornering, or Hornerizing works, Hornerizing reports, and Hornerizing speeches,* we should find that the practice would not be quite so common as it has been.

It was some disappointment to me that my book proved so complete a failure; for it was not my intention to give up my project of promoting an improvement in our banking system: and to be publicly and favourably known is a great advantage to a person engaged in a public object. I did not, therefore, relish the idea of its dropping dead-born from the press, and of my views being

* Every one that speaks in Parliament is an author: his observations reach the public in a printed form; and whether they emanate from him in a Speech, in a Parliamentary Report, or in a publication through the booksellers, it amounts to the same, both in fact and in principle.

buried with it. Hence, it occurred to me, that I might condense them in the form of a petition to the House of Commons; and if I could raise a debate upon the presentation of it, my object might, in some degree, be accomplished in that manner. I, consequently, framed one, containing the principles which I have explained in the fifth and sixth Chapters, in a series of propositions, and offering to submit a plan for the regulation of the currency to Parliament. This petition was a much better production than my book, and excited some attention in the limited circle which took an interest in the subject to which it referred. But it met with no better fate. The late Mr. Curwen undertook to present it, and make a speech upon it, and several others proposed doing the latter also; but when called upon, there was such a confusion and noise, that Mr. Curwen could not make himself heard; and he was not an orator that could arrest the attention of the House, when it was not disposed to listen. With the exception, therefore, of a speech from him, which was neither heard nor reported, and two or three words from Mr. Ricardo, it met the general fate of petitions.

I should not, perhaps, say, that my book was a total failure. It was, certainly, the means of making me several valuable friends; amongst whom I may mention Sir Thomas Lethbridge; who, having retired from Parliament, and from public life, I cannot avoid thanking for much per-

sonal kindness, as well as public support. Sir Thomas, was one of the most valuable friends that any person, having a public object in view, which he approved, could meet with. Having been thirty years in Parliament, he was generally known, as well as respected by all parties; and there were few with whom his introduction was not influential; and he never hesitated to give the benefit of his influence where he thought it would be useful. Like many men who engage in public affairs, his public character was not his true one. Representing a large agricultural county, and a consistent supporter of the interest of his constituents, his motives were frequently attributed to personal considerations. But his estate was unburthened; his income large, and he lived within it; and there were few persons in Parliament more independent, either in fortune or principle. During the chief part of the time he was in Parliament he was a supporter of the Ministers, and yet had never asked a favour either for himself or his family. His vote on the Catholic Question lost him his seat.* But there never was a vote more conscientiously given. Up to the period of its being announced in the speech from the Throne, that the Cabinet had determined, with the King's consent, to introduce a Bill for Catholic Emancipation, he was a zealous opposer of that measure; and it was not without a great

* That is, it raised against him an opposition, which ill health at the time prevented his encountering.

struggle with himself, that he could be brought to vote for it. But the King, the Duke of Wellington, and Mr. Peel, having gone over, further resistance, in his opinion, was hopeless, and not to be pursued with even temporary success, without producing rebellion and bloodshed.

The loss of his seat never occasioned him any regret. A man, who is always governed by the best motives, seldom feels pained at results. The conduct of an honest man, on such occasions, proceeds not from choice, but from necessity. He may err in his judgment, but he is bound to follow its dictates.

My book was, also, the means of introducing me to Mr. Attwood, another gentleman, whose friendship I am equally bound to acknowledge, and who is, also, not so well known out of Parliament as in it. A writer possessing considerable means of information, speaking of him, observed—
 “The present Lord Chancellor, in speaking to
 “the writer of this article of Mr. Attwood, called
 “him ‘a man of such extraordinary, such singular
 “ability,’ there is no man in our house, (then the
 “House of Commons,) said Lord Brougham,
 “equal to him in a capacity to deal with diffi-
 “cult and abstruse subjects.” Another member
 “of His Majesty’s present Cabinet, not inferior to
 “the Chancellor in his power to appreciate intel-
 “lectual endowments, spoke also to the writer
 “in equally unqualified terms of admiration.
 “And, we believe, on good authority, that the

“ late Mr. Canning said, that ‘ Attwood is the
 “ ablest speaker in the House of Commons on
 “ financial subjects,’—and that Sir Robert Peel
 “ described Mr. Attwood’s speech on the Reform
 “ Question, as the most powerful discourse that
 “ had been given on the occasion. We mention
 “ these facts, because, although no man is listened
 “ to with more interest in the House, than Mr
 “ Attwood, yet, whoever looks for the evidences
 “ of his talents in the reports of his speeches in
 “ the papers, will be miserably disappointed.”

Bankers’ Circular.

Mr. Attwood, however, enters keenly into whatever he pursues, and occasionally pushes his arguments to the length of invective. Without this, indeed, it would sometimes be difficult, on such abstract questions as the currency, upon which he more often speaks than any other, to make an impression. But that such feelings are momentary, may be inferred from the circumstance of his having proved one of the best friends I have met with, I do not mean as a Banker, but upon occasions in which he has had the opportunity of otherwise being substantially useful; though all my writings, as a political economist, and all my labours, as a promoter of Joint Stock Banks, which have been incessant, have been directed to undermine his favourite theory, and affect his business.

In differing with Sir James Graham on the sub-

ject of his Pamphlet, in the views of which I do not fully concur, I think I may venture, also, to say, that I have only repeated arguments which, at different times, I have used to himself, and in doing this, I believe, I lost nothing in his estimation; for I have seldom met with a more candid enquirer. While it would be injustice in me not to remark, with reference to the observations in this Chapter, that his Pamphlet is one of the finest specimens of literary integrity I have met with, and needed not the appendage of his name to mark it out as the production of a perfect gentleman.

Having thus failed, as regarded the public, in gaining either credit or notice in return for the labour of writing my book, or in at all furthering my Banking objects; these latter I was obliged to postpone until the following year; and, in the mean time, availed myself of the opportunity of writing a series of letters in the *Courier*, in support of my views on currency, which I shall have occasion to speak of hereafter.

In 1824, however, I was more fortunate. I had myself proposed the formation of a Joint Stock Bank in London, which I thought might be established without any infringement of the Charter of the Bank of England. But, instead of this, it was proposed to me, to form a Joint Stock Company in London, to carry on the business of Banking in the provincial parts of Ireland, in which there was a great want of Banks, and which, by the altera-

tion of the Charter of the Bank of Ireland, in 1821, were open to the operations of such companies, though no steps whatever had been taken to form any. To this proposition I acceded, and the Provincial Bank of Ireland was founded in consequence.

CHAPTER IX.

The Panic.—The Cause of it.—The History of its growth.—The Opinions of Ministers, the Bank Directors, and the Public, as to the cause which gave rise to it.—Sudden change in the measures of the Bank, by which the Panic was stopped.—What gave rise to this change, and the share the Author had in producing it.—The subject proper for enquiry by the House of Commons.—The Author may, perhaps, bring the subject before the House, by Petition.

WE have brought the history of our currency up to 1825, and we now come to a most important era in it, which affords a striking illustration of the evils resulting from the duplicate property of our currency, on the one hand, and our system of banking on the other; namely, the Panic. It was also attended with other circumstances, which, I trust, will render a particular account of it useful, if not interesting.

Previous to 1823, the exchanges had been, for three or four years, in favour of the country, and an immense importation of gold had taken place, as we have before explained. But, in that year, they took a turn, and gold began to go out of the country in equally large quantities. This might be temporary, and the Directors, at first, paid no attention to it; but, finding at the end of six months, that the reflux of gold not only continued, but increased, they deemed it necessary to take those

steps, for the purpose of stopping it, which they had always understood would not only check a reflux of gold, but bring it back again : that is, they began to contract their issues. This they did very rapidly, as the demand for gold was alarming ; and in eight months, between March and November, they had reduced them three millions and a half, which, with a proportionate reduction of the circulation under five pounds, would, probably, make the total reduction five millions. The effect of this great contraction, in so short a time, was, to produce a great scarcity of money in the money market of London. The Bankers who had been induced, by the long previous abundance of money, to lend it very freely, were now obliged to call it up very speedily, and failures and distrust, both in London and throughout the country, were the consequence.

In this situation, the Directors were exceedingly perplexed to know what to do. If they did not persist in contracting their issues, or, at least, in not re-enlarging them, they saw nothing before them but stopping payment themselves : and if, on the other hand, they did not, in some way, afford increased accommodation to trade, they equally saw, that every body else must stop payment, if they did not.

The Directors of public institutions, elected by, and amenable to public meetings of large bodies of shareholders, rarely ever act in opposition to

generally received principles and opinions. But this is more particularly the case with the Bank of England, as regards its issues. Their amount, the Directors conceive, determine the monied value of all the property in the kingdom; and they never hold themselves at liberty to entertain theories of their own, in that which so deeply involves the interests of all. The history of the Bank shows that they always have acted with great caution, on understood and received principles, particularly of late years. They have never been willing to adopt new views, unless the Government choose to dictate, or advise them, and take upon itself the responsibility.

On this occasion, as was usual with them, under similar circumstances, they were, consequently, led to apply to the Government for advice and assistance. But both these, the Ministers refused, it appeared, to give; and they were left to act upon those principles by which they had been governed, in contracting their issues; or by those that were in unison with the opinion of the public, which had so great an interest in their proceedings.

Whether it is that the newspapers govern public opinion, as some contend, or follow it, as affirmed by others, certain it is, that they are the best representatives of it; and in order to ascertain the state of public opinion, on any subject of such general interest, we must refer to them. In

reference, therefore, to the application made by the Bank, to Ministers, the *Times*, one of its most influential organs, expressed itself as follows:—

“ We receive, from day to day, through our
“ City correspondent, communications both of fact
“ and opinion, furnished by respectable members
“ of the commercial body; and these accounts
“ have been recently tinged with considerable
“ gloom and dissatisfaction.

“ It is said, that a degree of difficulty exists in
“ obtaining commercial discounts, which has not
“ been equalled for several years past. That the
“ immediate cause, is, the extreme caution of the
“ Bank of England, who, seeing a decline in the
“ exchanges, are apprehensive of a fresh exporta-
“ tion of gold, and, therefore, contract the issues
“ of their Bank Notes, with more timidity than,
“ perhaps, the real urgency of the case demands,
“ &c. That the distress thereby occasioned,
“ would exceed the belief of persons not familiar
“ with the subject: and there is reason for sus-
“ pecting the attention of Ministers to be, at the
“ present moment, seriously occupied with the
“ aforesaid scarcity of money; its causes, and;
“ perhaps, its remedies; and that, finally, as the
“ result of the discussion between Ministers and
“ the Bank, the Government must reduce its
“ debt to the Bank; or that the latter establish-
“ ment will not be able to fulfil the important
“ functions of a discount Bank, so as to carry the
“ trade of the country through the approaching

“ crisis. Such is the substance of our City Bulletin, of yesterday, representing, we believe, with much fidelity, the opinions; but with still more exactness, conveying, indirectly, the wishes of commercial men, that, by some means or other, the Bank should be, at once, enabled, and induced to extend its accommodation, in the shape of discount to the public.

“ To begin with the latter part of the subject, our own most hearty and earnest prayer to the Bank Directors would be, that no consideration should induce them to extend their discounts, if the condition of the commercial world be truly described in the statements we have just now given.”

This was followed by a very powerful disquisition, in support of the last mentioned position. This article appeared on the 23rd of November, and was the first public notice given of the pressure which existed. On the next day, it further observed :—

“ We understand that the Governor, and Deputy Governor of the Bank, had an interview yesterday morning, at their own request, and by appointment, with the Chancellor of the Exchequer, and no doubt is entertained in the City, that the meeting has arisen out of the difficulties in which the Bank is, at present, involved.” Then follows some speculations upon the subject, in which it is stated, “ That a principal object was, to require of the Ministers,

“ at as early a period as may be practicable, a
 “ repayment of part, at least, of the advances
 “ made by them, on deposits of Exchequer Bills.”
 And, on the day following, it also stated, “ We
 “ hear that the interview of the Governor and
 “ Deputy Governor of the Bank of England, with
 “ the Chancellor of the Exchequer, on Wednes-
 “ day last, led, as we expected would be the
 “ case, to nothing conclusive. The affair stands
 “ over till the arrival of Lord Liverpool in town,
 “ which, as his Lordship, we believe, has in-
 “ timated, will be on Monday next. In the
 “ mean time, it has been admitted, that no hope
 “ has been held out by the Chancellor of the Ex-
 “ chequer, of a favourable view of the application,
 “ whenever it shall be laid before Lord Liverpool.
 “ On that point, the few remarks which fell
 “ from him, were the reverse of encouraging. By
 “ their own conduct, the Bank Directors had
 “ brought themselves into a situation, too serious
 “ to be treated with disregard, *though the evil, in*
 “ *his opinion, would work its own cure*; but, in any
 “ case, he was not aware that assistance could be
 “ given them by the Government, &c..”

There was another way by which the embar-
 rassment might have been relieved, besides the
 assistance of Government; and that was, by re-
 tracing, to a sufficient extent, the steps which had
 caused it—by the Bank re-extending its issues,
 until the excessive pressure, at least, was re-
 moved: for it was not only the amount but the

suddenness of the operation which had produced it. This mode of relief, however, does not appear to have been suggested by, or to have obtained the sanction of the Government. On the contrary, they thought the evil would work its own cure. We consequently find, by the Parliamentary Returns, that on the 19th of November, two or three days before this application, the issues of the Bank amounted to £17,594,301.; and on the 3rd of December, ten days after it, to £17,477,299., a trifle less than they amounted to before: notwithstanding that matters, in that ten days, had become infinitely worse.

The explanation, indeed, which we have endeavoured to give of the cause of these difficulties, was not then, if it is at present, generally understood. The common opinion was, that it was the result of over-trading, and the discredit consequent upon it; that the scarcity of money was produced, by too much having been embarked in the various undertakings, as well as commercial speculations, which had been set on foot; and that the discredit, and want of confidence prevailing, was confined to a distrust of those houses, that had been most deeply involved in these speculations. Hence, it was the opinion, that those only who had speculated would suffer, and that the steady, sound, and sober part of the commercial world, would remain uninjured; and this doctrine, which was not an unnatural one, the Ministers partly entertained.

The fact, however, was, that the distress had been exclusively produced by the too rapid contraction of the issues of the Bank, and by no other cause. In the mean time, it became greater and greater. On the 29th of November, the city articles of the *Times* and other papers, announced the failure of Sir W. Elford's Bank at Plymouth; the run which it had caused upon all the Banks in the West of England; the additional demand for money to which it had given rise; and the further cause of embarrassment in the city which it had occasioned. This state of things, it is probable, the *Times* anticipated, would induce the Directors to enlarge, in some measure, their issues; and the Editor thus remarks upon it, in a long and able article, from which the following are extracts:—

“ Our readers will observe, by an interesting
 “ article from the City, that credit is undergoing
 “ a severe trial, both in town and country. We
 “ have now to feel for individual distress; but the
 “ main good of the nation requires, that the expe-
 “ riment should be required to work, &c.

“ It is the common re-action of over-trading:
 “ it is not a disease, but the natural cure for a
 “ disease, and, though far from palatable, it is a
 “ necessary cure.

“ As for relief from the King's Government, the
 “ Ministers know very well the causes of the evil,
 “ and the extent of it, and its natural and appro-
 “ priate remedy; and we venture to forewarn the

“ men of paper, that no such help as they are
 “ seeking will be contributed by the State. *An*
“ inundation of Bank Notes has aimed at over-flow-
“ ing the real capital of the kingdom; Lord Liverpool,
“ therefore, will think a long time, before he does any
“ thing to countenance that original mischief, under
“ pretence of curing it.

“ We are quite sure, that not one of the present
 “ Cabinet is foolish or wicked enough to propose
 “ such a crime against the nation ; and such being
 “ our conviction, it is not worth while to depre-
 “ ciate a measure which *cannot* take place.”

These sentiments were, in a certain degree, participated in, by another powerful organ of the national sentiment, the Morning Chronicle. On the 28th it observed,

“ That the Bank has, at present, only the alter-
 “ native of limiting its discounts, or becoming in-
 “ solvent, we can believe.

“ If the Bank be not protected from the conse-
 “ quences of over-trading, it cannot protect others
 “ from over-trading. After all that we have suffered
 “ from the Bank Bankruptcy in the beginning of
 “ the war, he must have a bold nerve indeed, who
 “ would dare to propose such another Bankruptcy
 “ at present, attended as it would be with so com-
 “ plete a revolution in property. The present
 “ difficulties will soon be over, but the difficulties
 “ to which we should be exposed by a second
 “ Bank Bankruptcy, and a depreciated paper,
 “ would be a very different matter.” Also, on the

29th : “ Yesterday proved but too clearly that
 “ the distress is on the increase. It is hardly pos-
 “ sible to describe the alarm which was felt
 “ in the city, from one end to the other. The
 “ demand for money was very great, and money
 “ was seldom to be obtained in any degree, cor-
 “ responding to the demand. The Bank has not,
 “ indeed, as was stated in the Times, limited their
 “ issues ; but then the discounts which were suffi-
 “ cient for the wants of the applicants a month or
 “ two ago, are not sufficient now. The Country
 “ Banks can only weather the storm, in any quar-
 “ ter, by the greatest exertions ; and frequent must
 “ be the applications for relief directly, and through
 “ indirect channels to the Bank. But the Bank
 “ has to choose between its own insolvency, and
 “ the insolvency of these imprudent speculations,
 “ and as *it is quite impossible, in the present state of*
 “ *things, for the Bank, with any regard to its own*
 “ *safety, to stretch out a friendly hand to them,* the
 “ consequences may easily be foreseen.”

There were two consequences to be apprehend-
 ed from an increase of issues : first, that it might
 turn the exchanges against the country, and,
 finally, compel the Bank to stop payment ; and,
 next, that when it again withdrew the Notes it
 might issue, and this it must ultimately do, the
 same difficulties would again be produced. So
 that relieving the distress, would only be putting
 off the evil day, and, of course, endangering the

safety of the Bank, or, at least, the safety of its continuing cash payments for nothing.

The Times observed, 30th November, " That " an enlargement of issues might be a palliative of " the existing distress for money, but the remedy " was of a nature, if largely administered, which " would serve but to aggravate and deepen the " roots of the disease." It was obvious, therefore, that an enlargement of issues could never be contemplated ; and though the other papers refrained from expressing themselves so decidedly as the *Chronicle* and the *Times*, yet they did not, at this period, offer any opposition to these opinions. These views, it was also very well known, were in accordance with those, both of the Government and the Bank Directors themselves. This, indeed, is sufficiently obvious from the fact supplied by the Parliamentary Returns, namely, that some days after these observations, the Bank had not increased its issues ; though there can be little doubt, that as commercial men, suffering in common with others of their own class, the Directors had every inclination to do so, if they had considered it right, or Government would have sanctioned it.

One Country Bank, however, failed after another ; runs took place on several of the London Banks, and one, or perhaps two stopped, and matters continued to get worse and worse ; until Monday, the 12th of December, on the morning of which day it was announced, that Pole, Thornton, and Co., one of the oldest, and most exten-

sive Banking Houses in London, had stopped payment.

That this would be the case, was known to the Bankers in Lombard Street, on Saturday night; and on Sunday, some of them called upon the Ministers, and the Governor of the Bank, and told them, that if, at the present moment, such a House were allowed to stop, upon which no less than forty-seven Country Banks drew, there would not only be a run upon every Bank in London in a greater or less degree, but upon every Bank throughout the kingdom; that it must produce a panic, the consequences of which it would be impossible to foretell. I believe the Government, though not of course indifferent to the state of things, declined interfering, as it was understood, they had persisted in doing all along. And the Governor of the Bank, full of timidity and irresolution, hoped that things would not be so bad as was represented, but did nothing. The consequences, however, were precisely what had been anticipated. A run immediately took place in a greater or less degree on every Bank in London, and such a panic commenced, as had not before been experienced. Money was not to be had almost on any terms, while every body wanted it. The *Times* observed, in its City article of that day, "It was not the character of the security that was considered, but the impossibility of procuring money at all."

The next day, (Tuesday,) was still worse. It was ushered in by the announcement, that Messrs.

Williams, Burgess, and Co., another equally great Banking House, and two or three more, had likewise stopped; and the panic become universal.

Speaking of these two days, *Mr. Huskisson* afterwards observed :—

“ That during forty-eight hours, it was impossible to convert into money, to any extent, the best securities of the Government. Persons could not sell East India Stock; they could not sell Bank Stock: they could not sell Exchequer Bills: they could not sell public securities, on the funded debt of the country.”

Hansard's Debates, vol. 14, p. 230.

Mr. Baring also observed :—“ A panic seized the public. Men would not part with their money on any terms, nor for any security, and the consequence was general distress. The extent to which that distress had reached, was melancholy to the last degree. Persons of undoubted wealth, and real capital, were seen walking about the streets of London, not knowing whether they should be able to meet their engagements for the next day.”

Hansard's Debates, vol. 14, p. 78.

The City article of the *Times* remarked, “ That the difficulty of obtaining money was not to be paralleled within the memory of the oldest merchants on the Exchange of London, who declared that the memorable epochs of 1797 and 1815 bore no resemblance to it.”

Whether it might be judicious to do so, or not, was another question; but the only practicable means of relieving this scarcity of money was, for the Bank to supply the demand for it, by an increase of issues. Nor could this be now done by the ordinary means of discounting Bills; for all Bills were more or less in discredit. Besides this, the amount of money required, and the time which would have been occupied in advancing it on such securities, would have rendered relief, by means of discounts, too tardy for the exigency which had arisen; even presuming that those who wanted the relief had possessed these kind of securities. But this was not the case. It was only City people, and City Bankers, that held such Bills as the Bank, according to its rules, would discount; and money was now wanted by Bankers in all parts of the town, as it would soon be by the Bankers in all parts of England.

Were the Bank, therefore, disposed to give relief by an increase of issues, its only mode of doing so effectually, was by lending on Government securities. These were the securities in which all Bankers, not excepting those in the City, held the Funds with which they were provided to meet such an emergency. A hundred thousand pounds in them, also, could be as easily valued, and transferred as a hundred pound Bill. Thus, in order to afford the assistance required, with the promptitude necessary, the Bank must not only increase its issues, in despite of the convic-

tions of the Directors, and those of the Government, and in the teeth of public opinion, but must do so, upon securities which it probably never, to any extent, had advanced money to the public upon before.

We cannot, therefore, be surprised, that, notwithstanding the pressure that existed on the Monday and the Tuesday, the Directors positively refused to change their system. On the latter day, many attempts were made to induce them to lend on stock, but without avail. We were, consequently, on the eve of a general convulsion. The panic, which was certain to spread throughout the country, had hitherto been confined to London, and had not had time to roll back upon it from the country, as it was sure to do, in fresh demands for money, and with fresh elements of embarrassment. A general stoppage of payment, therefore, appeared inevitable; when the Bank saved the nation from the impending desolation, by one of those unexpected movements, by which the fate of a nation is sometimes determined, when it depends upon the chances of a battle, though seldom in civil affairs.

They had hitherto, as we have seen, doggedly refused to make any considerable extension of their issues. They might, possibly, have increased them a little. It seems almost impossible that they could have avoided doing so, under the circumstances, without more than Roman firmness. So far, indeed, as the demand for sovereigns, by

reducing their dead stock of gold, had furnished them additional capital, they had extended their accommodation. But any idea of relieving the pressure, by a material increase of their issues, they do not appear to have entertained. The notion had been ridiculed even, as well as strongly opposed in argument by the press; and the Directors justified themselves in private, on Monday and Tuesday, for the course they were pursuing, by contending, that if they did increase their issues, they would have to withdraw them again, which would only re-produce the evil, and that their better way was to meet it at once.

On the Wednesday, however, they adopted a very different course, and from one extreme, went to the other. They not only increased their discounts, but they purchased Exchequer Bills, and lent upon stock: the day following, they did the same, and lent almost without reserve, upon any good security, and thus they went on. Any limitation of their issues was out of the question. The only consideration appeared to be, how they could issue fast enough. The sovereigns they gave out by weight to save counting; and the Notes as fast as they could be counted, until, in four days, they had neither a sovereign nor a Note left. On Saturday night they could not give any kind of exchange for fifteen of their own thousand pound Notes, nor could change be had for them in Lombard-street.

The amount of the increase of their Notes, according to a return furnished to Parliament, was as follows :—

November 19, 1825, they had	17,594,301	in circulation.
December 3	17,477,294	ditto.
December 17	23,942,827	ditto.
December 24	25,709,425	ditto.
February 22, 1826 . . .	24,399,080	ditto.

This does not give the issues of gold, which are still unknown ; but which could not have been less than four millions. Neither does it give the increase of issues which took place during the week of the panic. But it is not probable that the total issue was much greater, either on the 10th of December, the Saturday before, or on Tuesday, the day before they altered their course of proceeding, than on the 3rd. If so, it makes the increased issue of Notes, in the week of the panic, six millions, the chief part of which would take place in the last four days ; and in the week following, the further increase was, two millions, being eight millions in all. To this, adding four millions of gold, makes a total increase of twelve millions.

A measure, so sudden and unexpected—so opposed to all former precedents—carried also to such an extreme, and so directly in the teeth, not only of public opinion, but of their own past opinions, and those of the Government, it may be inferred, the Bank would not undertake upon their

own responsibility. And the *Times*, in its City article, on the Friday, observed :—

“ It is reported, but we are unable to say how
 “ far the rumour is entitled to credit, that the
 “ Bank Directors were urged in the strongest
 “ manner, from a very high quarter, to assist the
 “ Bankers, by lending on every species of se-
 “ curity, and, particularly, by making purchases
 “ of Exchequer Bills, in which market, it is said,
 “ they were directed to purchase £1,000,000.,
 “ £2,000,000. or more of the needful. Such in-
 “ terference, on the part of the Government, if
 “ it has really taken place, is extremely curious.”

This interference was not only curious, but true : for Mr. Huskisson afterwards observed, that the Bank, in the whole of this proceeding, had had the countenance, advice, and particular recommendation of the First Lord of the Treasury, and the Chancellor of the Exchequer.

There is no reason, however, to imagine, that this advice was given before Wednesday. The *Times* is wonderfully quick, as well as accurate, in obtaining information on these subjects ; and it did not mention the circumstance until Friday. On Monday, also, a Cabinet Council was held ; and it was naturally supposed, at such a critical period, that the existing state of affairs, and means of remedying it, would be the subject of their deliberations ; and a report to that effect was circulated. But this report was contradicted on Tuesday, in the ministerial morning papers, by

authority. And the *Globe* remarked, at the time, that the anxiety of the Ministers to contradict such a report, at such a moment, was not very creditable to them.

It would thus appear not very probable, that either the Bank, or the Ministers, had contemplated the course which was adopted, until the Wednesday. But it will, of course, be inferred, that the press, more especially the *Times*, and the *Morning Chronicle*, were opposed to it; and that, at all events, it would be contended by these papers, that, if it were conceded to necessity, it could never be justified on principle. But even this was not the case. On Wednesday, though not before that day, the *Morning Chronicle* had, frankly and good naturedly turned round. "It is clear," it observed, "the Bank has misconducted itself; that Ministers have misconducted themselves, &c.; but whatever may have been our past sins, let us, like *Lockit* and *Peachum*, in the Beggar's Opera, stretch out the hand of forgiveness to each other, and exert ourselves to diminish the evils of the pressure. The Bank may, at present, be liberal with perfect safety, while its Notes are at a premium."

On the Monday, it had stated, that its Notes were at a premium, without giving the same advice. It also observed on the Thursday morning:—

"Temporary measures require temporary expedients. The Bank may, with the utmost

“ safety, issue upon good securities, as long as the
 “ exchanges are so favourable. Things will soon
 “ adjust themselves, but let the transition be made
 “ as easy as possible. There is no danger of ex-
 “ travagant speculation, or gambling: on the
 “ contrary, the danger to be guarded against is
 “ excessive timidity, and an apprehension of
 “ danger were none exists. Issues will not lead
 “ to over-trading, at the present moment.”

The *Times*, also, in its leading article, of the same day, observed :—

“ We see, with pleasure, that the Bank have,
 “ for the sake of expedition, adopted a new
 “ method of weighing, not counting their gold.
 “ The activity which they display, in issuing
 “ fresh Notes, is, perhaps, a measure of more
 “ doubtful policy. If they increase the paper
 “ circulation, except upon the most solid securi-
 “ ties, they only increase the evil.” This was, of
 course, admitting negatively, that if the securities
 were good upon which they were issued, that it
 would not increase the evil; that activity in
 issuing Notes, on good security, was no evil.

On this paragraph, however, the *Globe*, which had not before offered any objection to the previous observations of the *Times*, or *Chronicle*, remarked :—

“ The *Times* observes, that ‘ the activity which
 “ the Directors of the Bank display, in issuing
 “ fresh Notes, is, perhaps, a matter of doubtful
 “ policy, that if they increase the paper circula-

“tion, except upon the most solid securities, they
 “will only increase the evil.’ With the excep-
 “tion we fully agree, but not with the general
 “rule, which appears to be implied. It is the
 “duty of the Directors to issue largely at the
 “present moment. Their duty to the public,
 “because they can do so with advantage to the
 “community, who entrust much (too much) to
 “them—their duty to the proprietary, because
 “they can do so with safety and profit, &c.”

After this, the *Times* ceased to write upon the subject, and gave no opposition to the proceedings of the Bank: and, on the Thursday following, when its City article stated, “That the accom-
 “modation afforded by the Bank, in discounts,
 “continued to be on a very large scale; and that
 “it was calculated, that their present issues of
 “Notes was not much short of £28,000,000;”—the Editor did not make a single remark upon it.

The scale upon which the Bank afforded assistance, when it did alter its policy, had the immediate effect of restoring confidence; so that on Thursday, the alarm in London was over. The City article, of the *Times*, on Friday, observed:—

“That owing to the critical moment at which
 “the Bank afforded its assistance, on Wednesday,
 “to Bankers, and to the money market generally,
 “yesterday (Thursday), proved a day of com-
 “parative tranquillity to the City.” And the final effect was, to prevent the threatened convulsion, by furnishing the Bankers all over the kingdom,

who could give the requisite securities, with the means of satisfying the demands upon them.

This general change of views and measures, it appears, took place on the Wednesday. On that day the Ministers, who had previously refused to interfere at all, interfered in the most decided and positive manner; on that day the Bank began to do without limitation, what it had never before done, under similar circumstances, even in the most limited manner; and on that day the press, after a strong opposition to any enlargement of issues whatever, began to advocate the contrary course; and notwithstanding the magnitude of the enlargement which took place, no opposition was made to it by any party.

The change was, also, simultaneous. There was no time for deliberation and discussion; and the question now is what produced it? It was either a sudden illumination from heaven, or effected in a more natural manner; and as there is no necessity to suppose a miracle, where a natural cause, adequate to the effect, can be pointed out, I venture to presume it may thus be accounted for.

The Directors, as has been observed, had the apprehension, that an increase of their issues would immediately turn the exchanges against the country; and the public, generally, entertained the same opinion. The intelligent editor of the *Morning Chronicle* remarked on the Monday, two days before the change, "The exchanges are already so high, that gold and silver are below the Mint price.

*“ The contraction of the paper as necessarily raises
 “ the exchanges, as its extension lowers them. What
 “ is reprehensible is, that the body, which has the
 “ regulation of this important matter, either from
 “ ignorance, or some other less justifiable cause, neg-
 “ lected the warnings afforded by the state of the ex-
 “ changes till the twelfth hour, and thereby added
 “ greatly to the distress of the country.”*

The principle, thus stated, of the effect of the issues of the Bank upon the exchanges, was the received one upon the subject. It was derived from the Report of the Bullion Committee; the Committee in 1819; and all the great authorities upon the subject; and had never been disputed, though other doctrines of the Bullion Committee had. Hence, it was considered, that the Bank, by contracting its issues, had been the means of turning the exchanges in our favour; that the operation was, of course, in a certain degree, immediate; and that, consequently, if the Directors relaxed their grasp, by re-enlarging them again, the exchanges would again become unfavourable, and gold again flow out of the country.

But it is needless to repeat, that these opinions were erroneous. The balance of payments can only be affected through the prices generally; by which the demand of foreigners for our commodities, and our demand for foreign commodities is altered. While, on the other hand, the price of commodities can only be affected through the Country Bank cir-

ulation, over which the Bank of England has a very imperfect, if any command.

Now, the contraction of issues by the Bank had had no effect upon the issues of the Country Banks; and, therefore, had had no effect in altering the exchanges in our favour. Neither, on the other hand, would an increase of issues, made to relieve the then existing embarrassment, have the effect of turning the exchanges against us.

The general opinion on this point was, therefore, a capital error. But this was not the only one under which the public laboured. The demand for money, in ordinary times, and the demand, in a period of panic, are very different. One demand is for money to put into circulation, and the other for money to be taken out. One is for money to be employed, and the other for money to lie idle. A person wishes to have the command of five hundred pounds, and he places it with his Banker. If he did not place it with his Banker, he would keep it at home, doing nothing; and, in periods of distrust, he is desirous of taking it out of his Banker's hands, and keeping it idle at home, until he discovers whether his Banker will fail or not. But money, thus required, is not required for circulation, but to be taken out of it; and the moment confidence is restored, it will be returned to the Bank from whence it was taken. But money, borrowed in ordinary times, is wanted for manufacturing or personal consumption, and cannot be suddenly withdrawn without difficulty and

embarrassment. This distinction, however, was not observed; and it was not, therefore, perceived, that a demand for money, proceeding from panic, might be supplied with perfect safety; and that it neither would enter into circulation, nor could immediately turn the exchanges against us if it did.

Now it so happened that I was then in the habit of occasionally writing a leading article upon such subjects in the *Courier*. The paper was, at that time, conducted with great ability by Mr. Mudford; and in 1823, at the time I was sending him my letters on currency, as before mentioned, he was writing some articles himself on South America, in support of the views of Mr. Canning, who then meditated entering into political relations with the new States of that Continent; and as I imagined I could help him out with a little political economy, I volunteered an article. This he thought so well of, as to induce him to request more on the same subject; and from that time I continued occasionally to supply him, gratuitously, of course, with an article on similar questions, which he always appeared glad to receive, by giving them the most prominent situation in his paper.

Now happening to entertain the views I have thus explained, and thinking the conduct both of Ministers, the Bank, and the press, very mistaken, I sent the following to the *Courier* on Tuesday morning, and it formed the leading article of that day.

TUESDAY EVENING *December 13th.*

“ There never was, perhaps less real cause for
 “ commercial embarrassment, than at the present
 “ moment, and no doubt can possibly be entertained
 “ that the actual distress in the money market arises
 “ in part from obstructed circulation, produced by
 “ want of confidence, and in part from the great sup-
 “ plies of Sovereigns, and Bank of England Notes,
 “ which have been sent down to the Country Banks,
 “ in all parts of the kingdom, amounting, probably,
 “ in the aggregate, to many millions. There are
 “ between five and six hundred country Bankers in
 “ England, exclusively of Scotland; and there is
 “ little doubt that every one of them has thought it
 “ necessary to increase his stock of gold and Bank
 “ of England Notes, to a greater or less extent, and
 “ the whole of this supply has been taken out of the
 “ money market of London.

“ The best possible proof that the present difficul-
 “ ties are the mere result of want of confidence, is the
 “ fact, that there are no such difficulties where this
 “ want of confidence does not exist. By our accounts
 “ from Scotland, we find that there, all is tranquil.
 “ Money has been more in demand of late, but this
 “ appears to be rather a beneficial result than other-
 “ wise. People are making more money in their
 “ respective trades, and are willing to give a better
 “ interest for it. Bankers, consequently, are not
 “ only enabled to charge a higher interest for the

“ money they lend, but also to give a higher interest
 “ for money deposited with them, which they have
 “ lately commenced doing. The same is taking place
 “ not only in Ireland, but in those parts of England
 “ where there is no want of confidence. As soon,
 “ therefore, as confidence is restored, the distress will
 “ be at an end. This, however, in the mean time,
 “ may be very much relieved by the Bank of England,
 “ who, with perfect safety, might issue Notes to the
 “ extent of those either withdrawn from circulation
 “ by individuals, or sent into the country. In so
 “ doing, they would not add to the circulation, but
 “ only supply a vacuum in it ; and the moment con-
 “ fidence returns, they may withdraw the whole
 “ amount of Notes thus issued, to meet the present
 “ emergency.

“ In the state of the money market, the Directors
 “ have a very easy test by which to regulate their
 “ issues. So long as the pressure is unnatural (of
 “ which they will be able to form a tolerable judg-
 “ ment) the demand must be unnatural, and may be
 “ supplied without any increase to the quantity of
 “ money, which would otherwise have been in actual
 “ circulation. On the other hand, when confidence
 “ is restored, the Directors will perceive, by the
 “ depreciated value of money in the market, the period
 “ when the money hoarded and supplied to the
 “ Country Bankers is beginning to find its way back
 “ into the circulation of London, and this, of course,
 “ will be the proper time for withdrawing their surplus
 “ issues.

“ We have reason to believe that this policy is
 “ actually pursued by the Bank to a considerable
 “ extent. They are, no doubt, increasing their issues.*
 “ But considering the pressure in the money market,
 “ we conceive they might go considerably further
 “ with perfect safety. The Bank, indeed, is, in a
 “ great measure, bound to administer the relief
 “ necessary upon such occasions. It is certainly a
 “ defect in our present system of currency, that it is
 “ liable to be contracted by a touch, or frightened as
 “ it were out of circulation, by the mere breath of opi-
 “ nion. But this, perhaps, is in some measure caused
 “ by the Charter of the Bank itself; and it is bound
 “ to supply the deficiencies caused by such alarms,
 “ when they occur.

“ We believe, also, the Bank need not fear that
 “ any issue of their Notes could turn the exchanges
 “ against the country, until long after confidence was
 “ restored, even if those issues were carried to a com-
 “ parative excess. Adam Smith has somewhere
 “ likened an excess of circulation to too much water
 “ put into a vessel, which, consequently, runs over:
 “ and we perceive that many of our sagacious con-
 “ temporaries imagine that the Bank have the power
 “ of turning the exchanges in our favour, or against
 “ us, by merely putting their Notes into circulation,

* They had enlarged their discounts by increased issues of gold, but the probability is, that they had not increased their issues of paper.

“ and taking them out again. The issues of the
 “ Bank, however, could only affect the exchanges,
 “ through the medium of an elevation or depression
 “ of prices increasing or diminishing the amount of
 “ our exports or imports, which must be an opera-
 “ tion of many months ; and we feel some degree of
 “ confidence, therefore, that the Bank, for a tem-
 “ porary purpose, might increase its issues with less
 “ reserve than has been sometimes supposed neces-
 “ sary.”

This article was followed by others every day during the week. But I shall only more particularly call attention to the two next. The first of these was intended to more effectually remove all apprehension, as to a turn in the exchanges by an enlargement of issues ; and the next to remove any apprehension as to the supposed difficulty in withdrawing the Notes which might be issued, as also to enforce the necessity of a prompt and effectual supply.

WEDNESDAY EVENING, *December 14th.*

“ The resolution of the Bank to increase their rate
 “ of interest to five per cent. is perfectly justifiable at
 “ the present moment ; but, whether the real value of
 “ money will justify the change, after confidence is
 “ restored, they will discover by experience. No
 “ objection, however, can possibly be made to the
 “ change, under existing circumstances, if the Bank
 “ will but supply the dreadful vacuum, which want of

“ confidence has caused, and continues to cause in
 “ the circulation.

“ That the Directors have every disposition to do
 “ this, we are well assured ; and the question, we
 “ believe, with them is, how far they can do it with
 “ safety. The danger they naturally apprehend is,
 “ that, by an excess of issues, they may turn the
 “ exchanges against the country, and create a de-
 “ mand for gold which they cannot supply.

“ If the present demand for money were a natural
 “ one, we have no doubt that, in the course of
 “ twelve months, an increase of issues might have
 “ that effect. The money issued would be employed
 “ in increasing the stocks of the merchant, and the
 “ employment of the manufacturer ; by which means
 “ the general consumption would be increased, and
 “ a corresponding elevation of prices would follow.
 “ This would increase the foreign demand for our
 “ manufactures, and of course diminish our ex-
 “ ports, on the one hand, while, on the other, an
 “ additional consumption would take place in foreign
 “ commodities, as well as our own, and increase our
 “ imports. Thus our exports being diminished, and
 “ our imports increased, gold would be demanded of
 “ the Bank, with which to pay the difference. It is
 “ quite idle to suppose that the issues of the Bank
 “ can affect the exchanges, or the exportation and
 “ importation of gold, except by a process similar to
 “ this. Money comes into the country, or goes out
 “ of it, in actual payment for commodities, which
 “ have been previously exported or imported ; and

“ before the exchanges can be affected, an alteration
 “ in our exports or imports must take place.

“ The simple question, therefore, for the Bank
 “ Directors to ask themselves, is this : Does the
 “ present excessive scarcity of money arise from a
 “ demand for capital, to be immediately employed in
 “ commercial, manufacturing, or other speculations,
 “ by which consumption will be generated and in-
 “ creased? If it do not arise from this cause, the
 “ demand may be supplied by an increase of issues,
 “ on the part of the Bank, with perfect security ;
 “ and we may safely say, never was the commercial
 “ and manufacturing world more innocent of any
 “ intention to increase their operations than at this
 “ moment.

“ The present scarcity of money, is the mere result
 “ of alarm and want of confidence ; and as the
 “ demand has been a sudden one, so ought the supply
 “ to be. A judicious and adequate relief afforded
 “ by the Bank, at the present moment, would, we
 “ are persuaded, restore confidence in a few weeks.

“ We do not, by any means, wish to be under-
 “ stood as proposing that the Bank should make
 “ advances to Bankers, without adequate security.
 “ But if a Banking-house be pressed, or has a run
 “ upon it, and wishes for assistance, we do think,
 “ that, provided that the security offered be sufficient,
 “ the description of such security ought not to be con-
 “ sidered too scrupulously. By meeting the present
 “ difficulties in a manner at once judicious and de-
 “ cisive, we are persuaded, that it is in the power

“ of the Bank to end them with perfect safety to
 “ itself; and we trust that the Directors will not,
 “ from a misplaced caution, which, in point of fact,
 “ would, at this moment, be the greatest rashness,
 “ allow the present temporary but alarming pressure
 “ for money, and want of confidence, to be in-
 “ creased.”

“ THURSDAY, EVENING, *December 15.*

“ A Meeting took place at the Mansion House
 “ yesterday, to consider the present alarming state
 “ of public credit. Of the proceedings at this
 “ Meeting we gave some account in a second and
 “ third edition of our paper of yesterday; and for
 “ more detailed particulars, we refer our readers to
 “ our columns of this day. At this Meeting it was
 “ stated, that Sir P. Pole, and Co., have a surplus
 “ of one hundred and seventy thousand pounds, after
 “ the payment of all claims upon them, besides the
 “ large landed property of Sir Peter Pole, and about
 “ one hundred thousand pounds, the private property
 “ of the other partners of the House; and that
 “ Williams and Burgess have property sufficient to
 “ pay forty shillings in the pound. We have little
 “ doubt, also, that the other Houses, that have since
 “ stopped payment, are equally competent to pay
 “ all claims upon them.

“ When we thus perceive the perfect solvency of
 “ the two Houses abovementioned, we cannot but
 “ consider it a most unfortunate circumstance, that

“ they were allowed to come to a stand, at such a
 “ time, for want of proper assistance. It might, with
 “ certainty, have been anticipated, that the stoppage
 “ of two such Houses would produce all the conse-
 “ quences that have ensued. There are times when
 “ rules and precedents cannot be broken; others,
 “ when they cannot be adhered to with safety; and
 “ it is extremely probable, that if the Bank had done
 “ on Saturday, what they have done both yesterday,
 “ and to-day, (Wednesday and Thursday,) namely,
 “ advanced upon other securities than Bills, these
 “ Houses would not have stopped payment, and con-
 “ fidence would, by this time, instead of being almost
 “ destroyed, have been nearly restored.

“ Neither the amount of the advances which the
 “ Bank may have made, nor the securities they may
 “ have accepted, will now, we understand, meet the
 “ exigency, and a further extension must take place
 “ in both these respects. It is a mere waste of time
 “ and words to talk of restoring confidence at the
 “ present moment with any thing but money. The
 “ case is not one to be met by palliatives. If a
 “ sufficient supply of money be not afforded by the
 “ Bank, the only source whence it can be supplied,
 “ we should fear to trace what, in our opinion, must
 “ be the consequences.

“ When we press this upon the consideration of
 “ the Directors, we do it, with a perfect conviction,
 “ that they may afford the relief required with safety.
 “ So soon as confidence is restored, we are per-

“suaded, that nearly the whole of the extra advances, made by the Bank, will be returned upon it, without any effort of its own.

“The individuals, who now draw their money from their Bankers, and keep it at home, will replace it in their hands again, and the Country Bankers will reduce their stocks of Bank of England Notes and gold to their original amount, by returning to their agents, in London, the extra supplies which they have lately received. By this means the London Bankers will be overstocked with money; be enabled to pay off any debts they may have contracted with the Bank of England; and, instead of applying to the Bank for discounts, they will, on the contrary, discount freely themselves. When this is the case, the Bank Directors are well aware, that their issues will contract without any effort on their part.

“We do not mean, however, to say, that the Bank need trust to their surplus issues—put forth to meet the present exigency, being thus returned upon them; though, we are of opinion, if they continue to charge five per cent. interest, that this would be the case. We merely advert to this, to show the ease with which they may, at any rate, be withdrawn at the proper period.

“If the Bank recall their additional issues when the alarm is over, and before matters have been so long settled, as to give time for their being applied in commercial, manufacturing, or other speculations,

" they may be increased without any inconvenience.
 " It is a perfectly sound operation to make a
 " temporary addition to the circulation, equal to
 " the emergency, at such a period as the present, to
 " be withdrawn again, without hesitation, when the
 " crises is over. Every reflecting person will agree
 " with us on this point; but even those who do
 " not, and who contend that such a temporary ad-
 " vance is an evil, must admit, that it is a much less
 " evil than that which it would remedy. It, how-
 " ever, would not be an evil. When want of confi-
 " dence prevails, twice the amount of currency be-
 " comes necessary to conduct the same operations,
 " at the same scale of prices as before, and nothing
 " can be more legitimate, than to supply such extra
 " demand for currency while it lasts."*

* The two following articles appeared on the Friday and Saturday.

FRIDAY EVENING, *December 16.*

" No apology, we are convinced, is necessary for recurring
 " to a question so important as the mode of restoring public
 " confidence at the present period; and we do so, not so much
 " for the purpose of pressing the subject on the attention of the
 " Directors of the Bank of England, who are anxious, we
 " believe, to do all in their power to meet the emergency
 " which has arisen, as to point out the necessity and the pro-
 " priety of those measures which the Directors may judge it
 " necessary to adopt.

" At the same time, we are happy to think that the worst is
 " over; though there are still great demands upon the Bank,
 " particularly from the country, which must be supplied

Now, in the absence of positive information to the contrary, few people, I apprehend, will be disposed to doubt, that the sudden change in question was produced by these articles. It is observed by the Poet,

“ promptly and liberally, or a return of Public confidence
“ cannot be expected.

“ An expression of general confidence in all the Banks of
“ the kingdom, by a body so respectable as the Meeting which
“ was held at the Mansion House, will contribute, no doubt,
“ to calm public feeling ; but we are persuaded that there is no
“ other mode of supporting the credit of each individual Bank,
“ than by supplying it with the means of paying the
“ demands that may be made upon it. This, however, can
“ only be done by a very great increase of issues on the part
“ of the Bank of England, a measure which must have been
“ adopted, even had it been attended with practical inconveni-
“ ence in other respects, but which we have endeavoured to
“ show may be pursued with the most perfect safety.

“ There are about seventy Banks in London, which, pro-
“ bably, have each, upon the average, nearly half a million of
“ money deposited with them, by the public ; or we should say
“ twenty-five to thirty millions in the whole—every pound of
“ which, the depositors conceive, they have the power of
“ checking out at a moment's notice, though, for some one
“ reason or other, they allow it to remain in the hands of their
“ respective Bankers. Now the same reason which induced
“ the public to keep this balance in the hands of the different
“ Banks before the season of distrust commenced, will exist
“ after it is over ; and it may be assumed, as undoubted, that
“ the money drawn out of the Banks, from the effect of alarm,
“ will, for the parties own convenience, be placed in the
“ Bankers hands again, after it has subsided.

“ When, however, the great amount of these deposits are
“ considered, it will be at once perceived how utterly impos-
“ sible it would be for the Bankers to meet a demand upon

that “ a man convinced against his will, is of the same opinion still ;” and by a parity of inference, we may conclude, that is by no means difficult to convince those who are very desirous of being convinced ; and

“ them caused by a destruction of public confidence, without additional means being furnished by the Bank. The greatest wealth and respectability cannot accomplish that which is in itself impossible. At the same time, whatever be the amount of the additional issues, it is equally evident that they may be, with the greatest ease, withdrawn, when confidence is restored.

“ There is one distinction, however, which, we conceive, ought to be kept in view, if any distinctions be made at all, in relieving the difficulties which exist, and that is, that the credit of a Bank is more important to the community than the credit of a merchant ; for the stoppage of one Bank may produce the stoppage of many merchants, independently of the panic which it is certain to produce in the mind of the public at large.”

SATURDAY EVENING, *December 17.*

“ Although public confidence is on the return, in the metropolis, and things are resuming their usual course, yet, as might be expected, this has not yet communicated itself to the country ; and demands upon the Bank of England are still made by the Country Bankers, to meet the consequences of that distrust which has been disseminated from the capital in all directions.

“ In supplying these demands, the Bank has an imperative duty to perform. It is constituted by the terms of its Charter the conservator of public credit throughout the whole of England. By preventing public companies for Banking being established in any part of the country, it renders all

the first article which appeared on Tuesday night laid down the principles to be acted upon, sufficiently clear, I imagine, to induce, under the circumstances, both the Government, and the Directors,

“ private Bankers, even in the most remote districts, dependent
 “ upon it for support, in times like the present, and is bound
 “ to assist them. To do this effectually, the Bank will, of
 “ course, have to accommodate itself to the circumstances of
 “ the case, and consider itself, as far as possible, a substitute
 “ for those public companies, which, but for its charter,
 “ would be established in different parts of the country, ready
 “ to afford the assistance required.

“ It is customary with the Bank of England to issue its
 “ Notes to merchants and others upon certain principles,
 “ which the practice of business in London has established as
 “ regular; and this accommodation to trade has always been
 “ considered the most legitimate mode in which the Bank
 “ could issue its Notes to the public. It is equally the practice
 “ of Country Bankers to do the same, upon principles
 “ adapted to the local circumstances and trade of the place
 “ where they are situated. These securities would, of course,
 “ be discounted by a Public Company on the spot, with the
 “ same readiness and facility as the Bank discount Bills for
 “ the London Bankers; and when a Country Banker is obliged
 “ to come to the Bank for assistance, he has undoubtedly a
 “ right to expect it upon the same terms as it is granted to
 “ Bankers in town, his regular Bills being taken at least as
 “ collateral security.

“ In short, if this be not done, we do not see how the regular
 “ business of many places can be carried on. Country
 “ Bankers cannot, like a Banker in town, suspend discounting;
 “ if they did, every merchant, manufacturer, and tradesman
 “ in the place, must stop payment. This must have been
 “ the case in London during the last week, had there been no
 “ other resource than private Bankers; but the Bank of

to adopt them at once. It obviously convinced the Press, who had been previously committed to opposite opinions; and which acted with great candour on the occasion. Whereas, neither the Bank, nor the Government, were publicly committed, while the former were themselves merchants, and suffering in common with others; and that the Government should immediately adopt sound opinions, supposed to proceed from themselves, (for they were considered to be Government articles,*) was most probable. Their vanity, as well as their duty, would prompt them: for when the Bank was afterwards applauded for the

“ England did for the public what the private Bankers could not do. As, however, there is no Bank of England in the country to apply to, the public have a right to expect that the Bank will give such assistance to the Country Bankers as shall enable them not only to meet the demands upon them, produced by the want of confidence, but enable them, at the same time, to give those facilities to the trading community, which the Bank gave during the run upon the private Bankers in London. If the Bank should decline to take the regular Bills of the place, the business of such place must come to a stand. The Country Banker must take care of himself. He must, of necessity, also decline accommodating the public, when the public, by their want of confidence, have deprived him of the means of doing so, without the assistance of the Bank; an assistance which the Bank owes to the country, and which it would not, in our opinion, be justified in withholding.”

* A gentleman at the time, who had just seen Mr. Peel, told me, that he was sure one of them was written by him, there was such a similarity in their opinions.

steps they had taken, the Ministers were the loudest in their praises ; but took care, as has been mentioned, to intimate that the Directors 'did' nothing without their advice ; leaving it of course to be inferred, that the merit was theirs—that the governing mind which directed the proceeding was their own. That, however, neither they nor the Bank were entitled to much credit in the business, may be rendered sufficiently obvious.

The panic of 1793 had been brought about by a similar contraction of issues by the Bank ; and Mr. Thornton, being a Banker,—a partner, it is curious to remark, in the house that failed on this occasion, had had his attention particularly called to the subject ; and a very considerable portion of his work, on public credit, is devoted to show, that, in a period of panic, the Bank ought rather to lean to the side of enlarging, than contracting its issues. The question, however, though argued much at length, was not clearly understood by him, and the advice is given with caution. But it was adopted by the Bullion Committee, and more strongly and concisely stated as follows :—

“ The circumstances which occurred in the beginning of the year 1797, were very similar to those of 1793 ; an alarm of invasion, a run upon the Country Banks for gold, the failure of some of them, and a run upon the Bank of England, forming a crisis like that of 1793, for which, perhaps, an effectual remedy might have been provided, if the Bank of England had had courage to extend,

“ instead of restricting its accommodations, and
 “ issue of Notes. Some few persons, it appears
 “ from the Report of the Secret Committee of the
 “ Lords, were of this opinion at the time ; and the
 “ late Governor and Deputy Governor of the Bank
 “ stated to your Committee, that they, and many of
 “ the Directors, are now satisfied, from the experi-
 “ ence of the year 1797, that the diminution of their
 “ Notes in that emergency increased the public
 “ distress ; an opinion, in the correctness of which
 “ your Committee entirely concur.

“ It appears to your Committee, that the experi-
 “ ence of the Bank of England in the years 1793 and
 “ 1797, contrasted with the facts which have been
 “ stated in the present Report, suggests a distinction
 “ most important to be kept in view, between that
 “ demand upon the Bank for gold, for the supply of
 “ the domestic channels of circulation, sometimes a
 “ very great and sudden one, which is occasioned by
 “ a temporary failure of confidence, and that drain
 “ upon the Bank for gold, which grows out of an un-
 “ favourable state of the Foreign Exchanges. The
 “ former, while the Bank maintains its high credit,
 “ seems like to be best relieved by a judicious increase
 “ of accommodation to the country ; the latter, so
 “ long as the Bank does not pay in specie, ought to
 “ suggest to the Directors a question, whether their
 “ issues may not be already too abundant.

“ Your Committee have much satisfaction in
 “ thinking, that the Directors are perfectly aware,
 “ that they may err by a too scanty supply in a

“ period of stagnant credit. And your Committee
 “ are clearly of opinion, that, although it ought to be
 “ the general policy of the Bank Directors, to dimi-
 “ nish their paper in the event of the long conti-
 “ nuance of a high price of Bullion, and a very un-
 “ favourable Exchange ; yet it is essential to the com-
 “ mercial interests of this country, and to the general
 “ fulfilment of those mercantile engagements, which a
 “ free issue of paper may have occasioned, that the
 “ *accustomed degree of accommodation to the Mer-*
 “ *chants should not be suddenly and materially re-*
 “ *duced ; and that if any general and serious diffi-*
 “ *culty, or apprehension on this subject should arise,*
 “ *it may, in the judgment of your Committee, be-*
 “ *counteracted without danger, and with advantage*
 “ *to the public, by a liberality in the issue of Bank*
 “ *of England paper, proportioned to the urgency of*
 “ *the particular occasion.*”

It is quite clear, that if this advice had been kept
 in view, and had been acted upon, in time ; though
 there might have been pressure, there would not have
 been panic to any extent ; a million or two would have
 been sufficient to prevent all the evils which it after-
 wards required ten or twelve millions to stop ; and I
 may add, years to cure. Or if the Ministers, when
 applied to by the Bank, on the 23d of November,
 before any panic had commenced, had said, you had
 better relax a little for fear of producing panic, less
 than a million would, in all probability, have been
 sufficient. But it would seem that they had either
 entirely overlooked this advice of the Bullion Com-

mittee, or that they otherwise did not feel the requisite confidence in it. In consequence, probably, of holding erroneous and conflicting opinions, with respect to the power of the Bank over the exchanges, as well as with regard to the effects of again withdrawing the Notes that the Bank might issue—difficulties which, in giving the advice, the Bullion Committee had rather confirmed than explained away.

Thus, I think, there can be no great risk in concluding; first, that the panic was brought about by the ignorance of the Bank Directors, and the Ministers, respecting the currency; and next, that it was stopped by their ready adoption of the advice given them through the medium of the *Courier* in the articles in question.

We cannot always blame men for ignorance; but the Bank, instead of blame, derived nothing but thanks for their conduct on this occasion.

Mr. J. Stuart Wortley, the mover of the Address, observed, on the first day of the meeting of Parliament; for the conduct of the Bank was the general theme of satisfaction, that “He could not refrain
“ from expressing, on this occasion, the great grati-
“ tude which the country owed to the Bank of Eng-
“ land, for the manner in which they had come for-
“ ward on the late crisis. By their conduct, they
“ had already raised their high reputation, and de-
“ served to be raised in the confidence of the coun-
“ try.”

Mr. Green, the seconder of the address, likewise observed, "There was one point which he could not forbear noticing—he meant the conduct of the Bank of England during the late troubles. That body was entitled to the thanks of the country at large, for the prompt and liberal manner in which it had rendered all the assistance in its power."

Mr. Alexander Baring, after describing the state of the City, during the panic, stated, "That nothing could be more liberal or sensible than the conduct of the Bank of England." And even Mr. Grenfell, a great opponent of the Bank, "felt it due to the Bank to say, that when the distress was at its height, the Directors had come forward in the most liberal manner, and thrown themselves into the breach, to avert, as far as they could, the danger which threatened the country."

Hansard's Debates, vol. 14, p. 76.

This throwing themselves into the breach, seemed a favourite idea.

The Chancellor of the Exchequer also observed :—
 "That none would be found more ready than the Bank of England had been to throw itself into the breach, when the country required a great effort. At the risk of their own interests—at the risk even of their own security, they had often come gallantly forward, and had saved the country, by their timely aid, from evils of the greatest magnitude."

Hansard's Debates, vol. 14, p. 53.

These observations appear to refer to the conduct of the Bank generally ; but that they had reference to its conduct, on this occasion in particular, may be inferred from the speech of Mr. Maberley, in which they are referred to, who stated, that “ he could not express an opinion upon the proposed measures, without offering his meed of concurrence *in all that had been said* of the conduct of the Bank of England, during the late shock to which the public credit had been exposed. He was willing to admit that justice only had been done them, and *even if the Right Honourable Gentleman had gone further*, he would have been warranted by the course which the Bank had pursued, in circumstances more trying and extraordinary, than ever a commercial body was placed in before. To their energy and determination, though in opposition to their usual principles, was the salvation of the country to be attributed.”

Hansard's Debates, vol. 14, p. 66.

From these observations of Mr. Maberley's, it may be concluded, that the report above quoted gave but a meagre account of what the Chancellor of the Exchequer had said ; and upon turning to the *Morning Chronicle* of that day, I find that he is reported to have stated as follows :—“ The Directors of the Bank of England had always evinced the most anxious disposition to promote the interests of the country. They had often promoted their interests even at the risk of their own ; and it was unneces-

"sary to mention how manfully, and disinterestedly
 "they had stood in the breach to stem the torrent of
 "the recent distress. They had fully proved how
 "ready they were, at considerable risk, and at the
 "expense of considerable sacrifice, to relieve, as far
 "as possible, the late heavy pressure; and they had
 "undoubtedly prevented much additional distress,
 "which must otherwise have been experienced.
 "*For this they merited the thanks of Parliament,*
 "*and the country, which ought not to be slow in*
 "*doing them that justice, to which, in this respect,*
 "*they were so well entitled."*

The other papers give his observations pretty much to the same effect; and from what Mr. Maberley said, these, most likely, were the terms in which he expressed himself.

Mr. Huskisson is also stated to have expressed himself in nearly similar language. And, on a subsequent occasion, in answer, I believe, to an observation of Captain, now Colonel Maberley, that "of this panic, no man could tell what might have been the consequences, if the Bank had not stepped in, and, by their timely and liberal interference, saved the country from destruction."

Hansard's Debates, vol. 14, p. 223.

He remarked "if the difficulties which existed in the money market, a short time since, had continued for only eight and forty hours longer; he believed the effect would have been to put a stop to all dealings between man and man, except by

“ means of barter. It had very truly been ob-
 “ served, that the Bank, by their prompt and effica-
 “ cious assistance, had put an end to the panic, and
 “ averted the ruin which threatened all the Banking
 “ establishments in London, and, through them, the
 “ Banking Establishments, and monied men all over
 “ the country. The conduct of the Bank had been
 “ most praiseworthy, and had, in a great degree,
 “ saved the country from a general convulsion. He
 “ would take upon himself to say, that the Bank,
 “ throughout their prompt and efficacious, and pub-
 “ lic spirited conduct, had had the countenance,
 “ advice, and particular recommendation of the First
 “ Lord of the Treasury, and his Right Honourable
 “ Friend the Chancellor of the Exchequer to assist
 “ them.”

Hansard's Debates, vol. 14. p. .

Mr. Hume, indeed, shrewdly enough, in reply
 to all this, observed, “ That he must enter his
 “ protest against the praises which had been heaped
 “ upon the Bank of England. It appeared to him,
 “ just as if an incendiary were to be praised, be-
 “ cause, after he had kindled the flame, he endea-
 “ voured to put it out.” In this sentiment he
 stood alone: but, unquestionably, neither the
 Bank, nor the Ministers, were entitled to thanks
 for stopping a mischief of their own making; nor
 would they have been thanked, had the merits of
 the case been understood. What is still more curi-
 ous, however, is, that the conduct of the Bank

should have been termed a sacrifice. Now, this sacrifice consisted in converting certain reams of paper into eight millions of money, and lending it out at 5 per cent. interest, and in converting a dead stock of four millions, more or less, of gold into money, and lending it out at 5 per cent. interest also. At the time the conduct of the Bank was thus designated, it was actually in the receipt of interest upon ten or twelve millions more money, than it would have been, had it not made the great sacrifice in question. But then, it may be observed, that it ran the risk of stopping payment. But what was this risk? When the Bank pays in cash, it is obliged to keep a large unprofitable stock of gold. When it stops payment, it stops nothing else but the expense of keeping this large unprofitable stock. When other Banks stop payment, they injure their profits; but when the Bank of England stops payment, it increases them. In short, the Bank made no sacrifice, and could make none. On the contrary, it made from one to two hundred thousand pounds by the transaction.

To be sparing, however, in their acknowledgments for so great and unexpected a service, would have been, in itself, a species of ingratitude. It argued well, in my estimation at the time, for the principles and feelings of Ministers, that they were disposed rather to over than under-estimate the merit of the transaction; and as I imagined I had had some share in it, I fancied that a little of their unbounded gratitude might, perhaps, over-

flow my way, if they were aware that I was the writer of these articles. Few people, from a Duke to a peasant, appear, at any time, to wish that a nation should accept an important service at their hands, in whatever way it may have been rendered, without acknowledgment, either in honour or profit; and there was no reason why I should be singular in this respect.

But I could not, at the time, openly proclaim myself the author of these articles: for, in sending articles to Newspapers, secrecy, as regards the public, is one of the implied conditions. This also was the more necessary with respect to these in particular: for, as we before mentioned, they were supposed to have been furnished by the Treasury—an opinion which any Government Paper would desire to encourage rather than otherwise. All that I could then do, therefore, was to inform the Ministers that they were mine. The service must necessarily be a secret service, and acknowledged as such by the Ministers. They had ample means at their disposal to express the gratitude due by the nation for such services, when they had the disposition to do so; and from the gratitude they had expressed in Parliament, there could be no reason to doubt their disposition in this case. But before making any claim, I thought it better to see whether they would admit any favour. I, therefore, got Sir Thomas Lethbridge to be so good as to mention to the Chancellor of the Exchequer, that the articles were mine, and see

what he had to say upon the subject. In doing this, Sir Thomas saw, by his expression and manner, that it was a piece of intelligence not without interest. But all the acknowledgment he made, was, that he was not aware before, who had written them, or to that effect, unaccompanied by any expression of thanks. If, however, there was nothing to encourage, there was nothing to discourage me in this observation, and I might have proceeded further, but a fact came to my knowledge which deterred me.

In sending Mr. Mudford a short article for the Monday after the week of the panic, I mentioned to him, in a private note, the fact, that the Bank had been run so close on the Saturday night before, as to be unable to change fifteen of its own thousand pound notes. The panic was over in London. But it was still raging in the country, and the demand upon the Bank of England still continued. As the Mint could not, working night and day, coin more than 100,000 Sovereigns in twenty-four hours, it was, therefore, obvious that the Bank might not be able very promptly to supply all the demands which were anticipated. Such being the case, it was not unwise to prepare the public in the country for a temporary stoppage on the part of the Bank, by a notice given, in an indifferent manner, of its being so closely run. Mr. Mudford, consequently, inserted the fact I had communicated to him. As the panic was over in London, it was impossible this could do harm ;

and, if it did no other good, it would furnish the Country Bankers, who might be too hard pressed, with a good excuse for not being better supplied. It was not, in short, without much prudence and forethought, as well as the best intentions, that the fact was communicated to the public. But Lord Liverpool either did not or would not see this; and with wonderful sagacity for a Prime Minister, expected to mend the matter, by having the fact contradicted. No harm, however, resulted, either from the statement, or his Lordship's contradiction. But he was pleased, notwithstanding, to meditate the ruin of the editor, by insisting upon his being dismissed.

If we give him credit for sincerity, in believing the insertion of this statement to have been so injudicious as he pretended; and we must give him credit for a large share of stupidity in doing so; still no harm was done. Whereas, on the other hand, even supposing his Lordship, as he, with singular candour and modesty wished it to be understood, had himself suggested the course adopted by the Bank, the articles of the previous week must have done good, in explaining and justifying it. Under any view, therefore, good was done on the one hand, and no harm on the other. And after a great deliverance, the first act is seldom one of vengeance upon an innocent person, who may have had a share in effecting it, though he may have broken some petty rule of official caution in giving his assistance.

Nor was it a mere expression of anger, or a threat conveyed to the proprietors, which might be taken as a hint to the editor to be more discreet in future. He went so far as to get another editor himself for the paper, and would have effected his purpose, had it not been for the interposition of Mr. Canning. If we conceive the case of a tyrannical monarch, ordering a surgeon to be hanged for treading on his toe, in the course of an operation which saved his life, we have a parallel to this proceeding.

I was not aware of the whole of it at the time; but knew enough to conclude, that I might as well save myself the trouble of expecting gratitude from the ministry of Lord Liverpool, and I said no more about it. But I am not aware that the statute of limitation applies to public services; and now that no further necessity for secrecy exists, I trust that it will not be thought altogether unreasonable in me to revive the subject.

It must be kept in mind, that I had proposed to myself some advantages from the introduction of Joint Stock Banks into England; and nothing could be working better for my purpose than this panic. For, as the *Morning Chronicle* observed, on the 12th of December, the morning of the day on which I wrote my first article, "the Bank of England monopoly was the cause of these convulsions; yet the influence of the private Bankers was great in the House of Commons; and when the storm was blown over, the survivors would stir heaven and

earth to have the existing system continued." This being the case, the more general the prostration of the existing establishments, the more certain were the privileges of the Bank of England to be altered, and a Joint Stock system built up in their place. It did not require any hint from the *Morning Chronicle* to lead me to this conclusion, though, had such a hint been necessary, I saw that paper every morning. Neither do I take any credit to myself, that these considerations had no weight with me. A man, who can contemplate benefiting himself by a general desolation which he might prevent, is a kind of person that I do not assume any merit for not being. But it does not follow, that a nation is to sponge upon the humanity of an individual ; though it might be no credit in him not to possess it.

I not only, however, ran the risk of suffering, but I actually have suffered very considerably. Had the panic not been stopped, and had a general prostration of the existing establishments taken place, the necessity for erecting a new system would have been immediate ; both because new Banks would have been wanted, and no other means would have been known than the formation of Joint Stock Banks, by which to prevent such calamities in future. Whereas, it was now obvious, that panics might easily be prevented by a timely enlargement of issues ; and though it might require a very large issue to stop a panic after it was caused, a comparative small increase would

obviously be sufficient to prevent one. Hence, the pressing necessity, which would, otherwise, have existed, for immediate and effectual steps being taken to raise up a Joint Stock system, was done away. Besides this, the Directors of the Bank of England, instead of being the object, collectively, of course, of general reprobation, as the authors of a great calamity, were the subject of general confidence, and universal praise, as the saviours of the country. The consequence of this was, that though a partial alteration of the Bank Charter was made, so as to permit the establishment of Joint Stock Banks sixty-five miles from London, the Directors were enabled to introduce a clause into the Act, which, in a great measure, defeated it, by rendering the shareholders, in all the Joint Stock Banks that might be formed, personally liable for their engagements, as in ordinary partnerships.

This alteration was sufficient to induce me to leave the Provincial Bank of Ireland, with which I was engaged, in order to endeavour, either in whole, or in part, to realize the advantages I had proposed. But the clause in question prevented persons coming forward, on public grounds, to support me in my plans, as they would otherwise have done; and for the last six years, consequently, my labours, though not, perhaps, without their value to the country, have been totally profitless to myself. I cannot, therefore, think that it will be disputed, that I have a claim for indemnity at least, if not for reward. Though I could have expected

neither, from an Administration, who would, probably, have considered the admission of my claim a condemnation of themselves, for placing the nation in the situation which enabled me so effectually to serve it.

Should I prefer such a claim, it must, of course, be by petition to the House of Commons. It was acknowledged by the Ministers of the Crown to be a great service, for which the thanks of the nation were due. And it is not only reasonable and just, that the House of Commons should examine such a claim, but it is not unusual for them to do so in similar cases; that is, in the case of services done by individuals to the community at large, which can be acknowledged and rewarded in no other manner.

Besides this, there are other reasons for examining into this case, which do not exist in others. The Charter of the Bank of England is about expiring, and the nation is on the eve of settling its account of obligations with it, on granting it a new one; and if the nation be under such obligations to the Bank, as the Ministers of the Crown have admitted, they must, in some way or other, be considered and requited. The nation can never treat the Bank with ingratitude, or gainsay these admissions, for the mere purpose of shuffling out of the payment due for the service thus acknowledged. Yet, if the Bank of England be paid for it in any way, it will be after a very different manner than it will be necessary to pay me. Hence, it becomes im-

portant, as a matter of economy, to settle to whom this obligation is due, before the Bank is dealt with.

In the next place, the fact is important in the history of our currency ; and one of the strongest arguments against the existing system, and in favour of an amendment of it, that could be offered. It appears, that a most important crisis was brought about by the management or mismanagement of those who ought to have known better. For though there were no rules to point out the extreme course finally adopted at my recommendation, there were those, which, if properly considered, and timely applied, would have prevented the evil, which was only stopped from going further—not cured, by the measures resorted to. Now, if the nation were saved from a tremendous convulsion, by such a chance as I have described, it is full time that the fact was properly understood, and that more effectual steps were taken, than have been taken hitherto, to relieve the country from the necessity of depending for its salvation upon such casualties. In short, the enquiry will help to remove obscurity, where there ought to be none ; will help to elucidate the course which ought to be pursued, in reference to the currency ; will prevent the nation from giving reward, on a great scale, where it is not due ; will, at the same time, promote the ends of justice, by giving it where it is : should it, on investigation, turn out to be due to me, or any other person ; and it will further show

to future Ministers, that though they may intercept the public gratitude, in their own favour, when not due to them, yet, that the nation will not sanction and approve such conduct in their servants when it becomes known, but will enquire into it, and do justice where justice is due.

The enquiry would, no doubt, have to be made of parties, who were interested in denying the fact I propose to establish. But denying it simply would not be sufficient. If this sudden illumination did not occur from my articles, they must point out how it did occur. There was no time for discussion. As it was, it required every Note the Bank had to stop the panic. In another twenty-four hours; or had half a dozen more London Banking Houses been allowed to suspend payment, it could not have been stopped at all. The limited advice of the Bullion Committee, though, if acted upon in time, might have prevented the panic altogether, was insufficient for such a juncture. And if my articles did not produce the unexampled step that was adopted, they must say what did produce it. Let justice be done to others, if it be not due to me.

The parties, however, are too respectable, to allow it to be supposed that they would disguise the truth, so far as they now remember it; and there can be little doubt, at all events, that an intelligent Committee would arrive at it, partly from documentary and circumstantial, and partly from the personal evidence of the parties examined;

and whether the enquiry answered my purpose or not, it would answer that of the country: as too much light cannot be thrown upon the subject to which it refers. If, therefore, upon the publication of this work, I find that there is a probability of Parliament entertaining the enquiry, and my friends, in consequence, are willing to support it, I shall bring the subject before it in the usual way.

CHAPTER X.

Measures introduced by Ministers in consequence of the Panic.—New Doctrines of the Ministers relative to the Currency.—Source of them.—The withdrawal of the Notes of Country Banks under £5.—Ministerial Arguments in favour of a Gold Currency.—The Measure calculated to create the effect it was intended to cure.—Views of the Ministers proper for enquiry, but not for Legislation.—Ministers could not have got wrong by an observance of the laws of literary integrity.

THE conduct of Ministers, during the panic, did not exhibit such familiarity with the subject of our currency, or of the Bullion Report, by which they professed to be guided, as might have been expected from men who had been studying both for so many years; and possessing, also, amongst them, Mr. Huskisson, who was not only a leading Member of the Committee, from which the Report emanated, but had written a pamphlet in its defence. Nor does it appear, much as was, and is to be learnt on the subject of our currency, that the Ministers, for the time being, had ever thrown any light upon it themselves. Any views of their own were generally extremely superficial and erroneous; and any capital error, that was plausible, they too frequently adopted. Notwithstanding this, Ministers are, generally, men of talents in their way. But the governing talent in this, as in every country, with a representative form of Government, is, necessarily, the talent of talking.

Large assemblies can only be influenced by those who have the power of addressing them. Silent wisdom can never be wisdom to them. But I apprehend this talent, and the talent for investigation and discovery, are very different, and by no means necessarily connected. Girls, of the same age, with the same advantages, infinitely surpass boys in clearness of conception, and command of language, in expressing the knowledge they possess ; but in the abstract sciences, and the powers of reasoning, the boys are as much their superiors. It has also been remarked, that the best orators do not always make the best Judges ; and I am not aware that those whose discoveries have benefitted and improved the world, have been in general celebrated for their oratorical powers. At the same time, great talents in one way are mostly accompanied by considerable general ability. Great painters—great actors—great musicians, &c. though great in one thing only, are generally clever in other respects ; and, I apprehend, no man can be a very great orator, without the reasoning powers in great perfection. But what I infer is, that men of great good sense, and very considerable talents as orators, may, nevertheless, be destitute of those powers of analysis and deduction which are requisite for discovery. This, combined with the variety of subjects to which a Minister has to attend, and the little leisure he has for abstraction, may, in some degree, account for the helplessness which the existing Ministers, be who they would, have generally shown on this question.

Such a panic, occurring in a period of profound peace, after a good harvest, and traceable to no other cause but defects in our system of Banking and Currency, rendered it, of course, incumbent on the Ministers to bring forward measures to remedy, if possible, the evils which had been produced, as also to prevent the recurrence of such disasters in future. On the opening of Parliament, consequently, they proposed the two following measures for these purposes ; namely : first, an alteration of the Bank Charter, by which to permit the establishment of Joint Stock Banks ; and next, the withdrawal by the Country Banks of their One and Two Pound Notes.

The first of these was consistent with common sense, and its merits were more easily explained. If a panic consists in the distrust of the Banks, to introduce Banks that could not be distrusted, was striking at the very root of the evil. But the advantages of the second proposition were less obvious. After a panic, which had reduced the country circulation, it would have appeared more reasonable to have increased, rather than to have diminished it still further. The grounds of both, however, were put forth in a State Paper, addressed to the Bank of England, previous to the meeting of Parliament ; and the arguments in favour of withdrawing the small Notes, were as follows :—

“ The panic in the money market having subsided, and the pecuniary transactions of the country having reverted to their accustomed

“ course, it becomes important to lose no time in
 “ considering, whether any measures can be
 “ adopted to prevent the recurrence, in future, of
 “ such evils as we have recently experienced.

“ However much the recent distress may have
 “ been aggravated, in the judgment of some, by
 “ incidental circumstances, and particular mea-
 “ sures, there can be no doubt *that the principal*
 “ *source of it is to be found in the rash spirit of*
 “ *speculation*, which has pervaded the country for
 “ some time, *supported, fostered, and encouraged*
 “ by the Country Banks.

“ The remedy, therefore, for this evil, in future,
 “ must be found in an improvement in the circu-
 “ lation of country paper; and the first measure
 “ which has suggested itself to most of those who
 “ have considered the subject, is a recurrence to
 “ gold circulation throughout the country, as well
 “ as in the metropolis, and its neighbourhood, by
 “ a repeal of the Act which permits Country
 “ Banks to issue one and two pound Notes, until
 “ the year 1833, and by the immediate enactment
 “ of a prohibition of any such issues, at the ex-
 “ piration of two or three years from the present
 “ period.

“ It appears to us to be quite clear, that such a
 “ measure would be productive of much good;
 “ *that it would operate, as some check, upon the*
 “ *spirit of speculation, and upon the issues of*
 “ *Country Banks*; and whilst, on the one hand, it
 “ *would diminish the pressure upon the Bank,*

*“ and the Metropolis, incident to an unfavourable
 “ state of the exchanges, by spreading it over a
 “ wider surface ; on the other hand, it would cause
 “ such pressure to be earlier felt, and thereby
 “ ensure an earlier and more general adoption of
 “ precautionary measures, necessary for counter-
 “ acting the inconveniences incident to an export
 “ of the precious metals.**

* The remainder of the letter is as follows :—“ But though
 “ a recurrence to a gold circulation in the country, for the
 “ reasons already stated, might be productive of some good, it
 “ would, by no means, go to the root of the evil. We have
 “ abundant proof of the truth of this position, in the events
 “ which took place in the spring of 1793, when a convulsion
 “ occurred in the money transactions and circulation of the
 “ country, more extensive than that which we have recently
 “ experienced. At that period, nearly a hundred Country
 “ Banks were obliged to stop payment, and Parliament was
 “ induced to grant an issue of Exchequer Bills, to relieve the
 “ distress. Yet, in the year 1793, there were no one or two
 “ pound Notes in circulation in England, either by Country
 “ Banks, or by the Bank of England.

“ We have a further proof of the truth of what has been
 “ advanced, in the experience of Scotland, which has escaped
 “ all the convulsions which have occurred in the money
 “ market of England, for the last thirty-five years ; though
 “ Scotland, during the whole of that time, has had a circula-
 “ tion of one pound Notes ; and the small pecuniary trans-
 “ actions of that part of the United Kingdom, have been car-
 “ ried on exclusively by the means of such Notes.

“ The issue of small Notes, though it be an aggravation,
 “ cannot, therefore, be the sole, or even the main cause of the
 “ evil in England.

“ The failures which have occurred in England, unaccom-

This was a mode of speaking of our currency, different to any that had been hitherto adopted. When the withdrawal of the small Notes was enacted, in 1819, all the arguments, as we have

panied, as they have been, by the same occurrences in Scotland, tend to prove, that there must have been an unsolid and delusive system of Banking, in one part of Great Britain, and a solid and substantial one in the other.

“ It would be entirely at variance with our deliberate opinion, not to do full justice to the Bank of England, as the great centre of circulation and commercial credit.

“ We believe, that much of the prosperity of the country, for the last century, is to be ascribed to the general wisdom, justice, and fairness of the dealings of the Bank; and we further think, that, during a great part of that time, it may have been, in itself, and by itself, fully equal to all the important duties and operations confided to it. But the progress of the country, during the last thirty or forty years, in every branch of industry, in agriculture, manufactures, commerce, and navigation, has been so rapid and extensive, as to make it no reflection upon the Bank of England to say, that the instrument which, by itself, was fully adequate to former transactions, is no longer sufficient, without new aids, to meet the demands of the present times.

“ We have, to a considerable degree, the proof of this position, in the very establishment of so many Country Banks.

“ Within the memory of many living, and even of some of those now engaged in public affairs, there were no Country Banks, except in a few of the great Commercial Towns.

“ The money transactions of the country were carried on by supplies of coin and Bank Notes from London.

“ The extent of the business of the country, and the improvement made from time to time in the mode of conducting our increased commercial transactions, founded on pecuniary

seen, were in favour of paper, payable in gold. The Bullion Committee, whose views had been implicitly adopted, observed that, “ they fully
“ agreed with Dr. Adam Smith, and all the most

“ credit, rendered such a system no longer adequate, and
“ Country Banks must have arisen, as in fact they did
“ arise from the increased wealth, and new wants of the
“ country.

“ The matter of regret is, not that Country Banks have
“ been suffered to exist, but that they have been suffered so
“ long to exist without controul or limitation, or without the
“ adoption of provisions calculated to counteract the evils resulting from their improvidence or excess.

“ It would be vain to suppose, that we could now, by any
“ act of the legislature, extinguish the existing Country Banks,
“ even if it were desirable; but it may be within our power,
“ gradually at least, to establish a sound system of Banking
“ throughout the country; and if such a system can be formed,
“ there can be little doubt that it would ultimately extinguish,
“ and absorb all that is objectionable and dangerous in the present Banking establishments.

“ There appear to be two modes of attaining this object:—

“ First, That the Bank of England should establish branches
“ of its own body, in different parts of the country.

“ Secondly, That the Bank of England should give up its
“ exclusive privilege as to the number of partners engaged in
“ Banking, except within a certain distance from the Metropolis.

“ It has always appeared to us, that it would have been very
“ desirable that the Bank should have tried the first of these
“ plans—that of establishing Branch Banks upon a limited
“ scale. But we are not insensible to the difficulties which
“ would have attended such an experiment, and we are quite
“ satisfied that it would be impossible for the Bank, under
“ present circumstances, to carry into execution such a system,

“ able writers and statesmen of this country, in
 “ considering a paper circulation, constantly con-
 “ vertible into specie, as one of the greatest prac-
 “ tical improvements which can be made in the

“ to the extent necessary for providing for the wants of the
 “ country.

“ There remains, therefore, only the other plan—the surren-
 “ der by the Bank of their exclusive privilege, as to the num-
 “ ber of partners, beyond a certain distance from the metro-
 “ polis.

“ The effect of such a measure would be the gradual esta-
 “ blishment of extensive and respectable Banks in different
 “ parts of the country ; some, perhaps, with Charters from the
 “ Crown, under certain qualifications, and some without.

“ Here we have again the advantage of the experience of
 “ Scotland.

“ In England there are said to be between 800 and 900
 “ Country Banks ; and it is no exaggeration to suppose, that a
 “ great proportion of them have not been conducted with a
 “ due attention to those precautions, which are necessary for
 “ the safety of all Banking Establishments, even where their
 “ property is most ample. When such Banks stop, their cre-
 “ ditors may ultimately be paid the whole of their demands,
 “ but the delay and shock to credit may, in the mean time, in-
 “ volve them in the same difficulty, and is always attended
 “ with the greatest injury and suffering in the districts where
 “ such stoppages occur. If this be the case where the solidity
 “ of the Bank is unquestionable, what must it be, when (as
 “ too often happens,) they rest on no solid foundation.

“ In Scotland, there are not more than thirty Banks ; and
 “ these Banks have stood firm, amidst all the convulsions
 “ in the money market in England, and amidst all the distresses
 “ to which the manufacturing and agricultural interests in
 “ Scotland, as well as in England, have occasionally been
 “ subject.

“ political and domestic economy of any State ;”
and that such convertibility was a complete check
against over issue.

Nor had this doctrine ever been impugned by

“ Banks of this description must necessarily be conducted
“ upon the general understood and approved principles of
“ banking.

“ Individuals are, from the nature of the institutions, pre-
“ cluded from speculating in the manner in which persons
“ engaged in Country, and even in London Banks, specu-
“ late in England.

“ If the concerns of the country could be carried on without
“ any other Bank than the Bank of England, there might be
“ some reason for not interfering with their exclusive privilege ;
“ but the effect of the Law at present is, to permit every de-
“ scription of Banking, except that which is solid and secure.

“ Let the Bank of England reflect on the dangers to which
“ it has been recently subject, and let its Directors and Pro-
“ prietors then say, whether, for their own interests, such an
“ improvement as is suggested in the Banking system, is not
“ desirable, and even necessary.

“ The Bank of England may, perhaps, propose, as they
“ did upon a former occasion, the extension of the term
“ of their exclusive privilege, as to the metropolis and its
“ neighbourhood, beyond the year 1833, as the price of this
“ concession.

“ It would be very much to be regretted that they should
“ require any such condition.

“ It is clear, that, in point of security, they would gain by
“ the concession proposed to them, inasmuch as their own
“ safety is now necessarily endangered by all such convul-
“ sions in the country circulation, as we have lately and
“ formerly witnessed.

“ In point of profit, would they lose any thing by it, for
“ which they are entitled to demand compensation?

those who differed from the Bullion Committee, in other respects. They, on the contrary, always contended, that paying in cash would not merely prevent over issues, but would prevent enough

“ It is notorious, at the present time, their Notes circulate
 “ in no part of England, beyond the metropolis and its neigh-
 “ bourhood, except in Lancashire; and, perhaps, for that
 “ district, some special provision might be made.

“ But, as it is the interest, so it has been, and ever will
 “ be the endeavour of the Country Bankers, to keep the
 “ Bank of England Notes out of circulation, in those parts of
 “ the kingdom where their own circulation prevails. In this,
 “ they must always be successful, whilst public credit con-
 “ tinues in its ordinary state, and the exchanges not un-
 “ favourable to this country. The consequences are, that, in
 “ such times, the Bank of England becomes, in a manner, the
 “ sole depository for gold; and in times of an opposite ten-
 “ dency, the sole resort for obtaining it: that, at one period,
 “ their legitimate profit is curtailed by an accumulation of
 “ treasure, beyond what would be required by a due attention
 “ to their own private safety, as a Banking Establishment;
 “ and, at another period, they are exposed to demands which
 “ endanger that safety, and baffle all the ordinary calculations
 “ of foresight and prudence.

“ If, then, the Bank of England has no country circulation,
 “ except in the county above named, the only question for
 “ them to consider, is, whether, on the ground of profit, as
 “ well as security to themselves, the existing country circula-
 “ tion shall or shall not be improved.

“ With respect to the extension of the term of their ex-
 “ clusive privileges, in the metropolis and its neighbourhood,
 “ it is obvious, from what passed before, that Parliament will
 “ never agree to it.

“ Such privileges are out of fashion; and what expecta-
 “ tion can the Bank, under present circumstances, entertain

being issued. It was too great a check upon issues. But in explaining the principles, thus laid down in their letter to the Bank, the Ministers now, for the first time, gave up this doctrine.

Mr. Charles Grant stated, that "the great problem, with respect to currency, is to discover that check, whereby the evil we wish to avoid may be arrested before it takes place. The principle should be preventive rather than corrective. His Honourable Friend opposite (Mr. Smith), seemed to think, that the convertibility of paper into gold would operate as a sufficient check to arrest its progress ; and in this opinion

"that theirs will be renewed? But there is no reason why the Bank of England should look at this consequence with dismay: they will remain a chartered corporation for carrying on the business of Banking. In that character, they will, we trust, always continue to be the sole Bankers of the State; and with these advantages, so long as they conduct their affairs wisely and prudently, they always must be the great centre of banking and circulation.

"Theirs is the only establishment, at which the dividend due to the public creditor, can by law be paid.

"It is to be hoped, therefore, that the Bank will make no difficulty in giving up their exclusive privilege, in respect to the number of partners engaged in Banking, as to any district miles from the metropolis.

"Should the Bank be disposed to consent to a measure of this nature, in time, to enable the Government to announce such a concession, at the opening of Parliament, it would afford great facilities to the arrangement which they may have to propose for ensuring the stability of private credit, in which the support of public credit, and the maintenance of public prosperity, are so materially and closely involved."

“ he was certainly supported by high authorities,
 “ amongst whom were some of the wisest men that
 “ composed the Bullion Committee. They all
 “ agreed upon the necessity of the convertibility
 “ of paper into gold, in order to establish a sound
 “ currency. The science of currency, (for it de-
 “ served the name of a science,) was every day
 “ acquiring additional light; in fact, it was
 “ now in a state of experiment. It appeared to
 “ him that those who supported the Bullion
 “ Report were led to rely too exclusively on this
 “ check, not merely to correct the evil when it
 “ does take place, but to operate as a preventive,
 “ by which to guard against the extension of
 “ it beyond a certain point. There was no doubt
 “ of the check; but it may be so tardy in its pro-
 “ gress as to produce the evil itself; because, it
 “ is a check that operates, not by necessity, but
 “ by the discretion and judgment of those by
 “ whom the paper is circulated.

“ It was clear, then, from what had occurred, that
 “ the check provided by the convertibility of Notes
 “ into gold, operated so tardily, as to be inadequate
 “ to avert the evil, and it ought to be the leading
 “ principle in every sound currency, to provide
 “ the means of arresting the evil before it arrives
 “ at its height.”

Morning Chronicle, February 13, 1826.

Lord Liverpool likewise argued to the same effect.

The Chancellor of the Exchequer, also, for the first time, impugned the doctrine of the regulating power of the Bank of England. He observed, "That by an investigation into the different issues of different years, it would be found, that the issues of the Bank of England had no relative connexion with the issues of the Country Banks, it happening, in several instances, that when the Bank of England issues had increased, the Country Note issues had diminished, and *vice versa*."

Morning Chronicle, February 10, 1826.

This was also maintained by Lord Liverpool, who, with Mr. Huskisson, likewise descanted on the merits of a metallic currency. The latter observed, that—"It was the natural course, that, in such a fluctuating state of our currency, all classes of society must, in their turn, be afflicted by it, and, therefore, the sooner we get rid of that fluctuation, and returned to a sound, and healthy, and permanent circulating medium, the better for the community at large. If they wished to prove the value of a steady and unchangeable currency, they had it in the history of France; that country had been twice invaded by a foreign army, her capital had been twice taken possession of, and she was obliged to pay large sums to foreign countries; but they had a steady metallic currency, and however such visitations might have affected the great—how-

“ ever the extensive contractor might have been
 “ injured or ruined, the body of the population
 “ remained unoppressed. The storm might have
 “ crushed the forest tree, but it passed over with-
 “ out injuring the humble reed. This was to be at-
 “ tributed to the permanent footing upon which the
 “ currency of that country had been established.”

Morning Chronicle, February 10, 1826.

These were great changes in the received opinions.

Sir James Graham upon this point observed :—
 “ All the authorities up to the year 1826, Mr.
 “ Hume, the Bullion Committee, the Right Ho-
 “ nourable Secretary (Mr. Peel,) and Sir Francis
 “ Baring; all these authorities assumed it as a
 “ principle, that the law of convertibility, under
 “ a judicious system of Banking arrangements,
 “ was a perfect security against the danger of over
 “ issues. The opinion, contrary to this doctrine,
 “ it would be recollected, was only the opinion of
 “ the Cabinet. It had never been announced to
 “ the public in any way, but in the well known
 “ letter of Lord Liverpool to the Bank of England.
 “ The House of Commons had never yet pro-
 “ nounced any decision upon the subject, and, cer-
 “ tainly, he did not ask too much when he said,
 “ that before they did pronounce any opinion, they
 “ ought most cautiously to examine it.”

Hansard's Debates, vol. 19, p. 1006.

That Ministers should never before elicit a stray idea of their own upon the subject of currency, though it had been under consideration for so many years ; and that they should now, by a kind of Cabinet inspiration, uncover a whole pack at once, to hunt down all the old established and received notions respecting it, did not appear probable. It was more rational to suppose, that they had come at their views in the usual way ; and I could not but suspect, that not only were their ideas and arguments on Scotch Banking, originally taken from me ; but that, after a fashion of their own, they had adopted my views on currency likewise.

I stated, it will be remembered, that, in the latter end of 1823, I wrote a series of letters in the *Courier* on the subject of currency, recommending my plan and views to the consideration of the public ; but that my labours at the time were in vain, for the public would not trouble their heads either with my views or me. I fancied, indeed, that my labours had been lost ; but the use I found myself enabled, on an emergency, to turn them to, as explained in the last Chapter, proved this not to be altogether the case ; and I was now induced to suppose, that Ministers had been indebted to them on the present occasion also.

Three or four months before the panic, the exportation of gold which was going on, and the pressure which began to be felt in the money market, had brought the subject of currency into dis-

cussion ; and I thought it not an unfavourable time to republish these letters ; which I did in the October preceding,—about two months before the panic. The work, amongst other things, contained the Petition to the House of Commons, in which the views I have stated were epitomized. The plan for regulating the currency. The argument in its favour deduced from the defects of the present system, as compared with a metallic currency. The doctrine of the pressure of capital,* as explanatory of the cause of the agricultural distress, from 1819 to 1822. Also, an introduction, in which the relative importance of the Country Bank circulation was pointed out, and the doctrine of the regulating power of the Bank of England disproved ; and a supplement, in which the duplicate property of our currency was explained, and the effect of the exportation and importation of the precious metals upon the money market stated. In short, the publication contained all the fundamental principles which we have endeavoured to establish in this, though, perhaps, not explained so fully. It was anonymous, and was entitled “ An Illustration of Mr. Joplin’s Views on Currency, and plan for its improvement, together with observations applicable to the present state of the money market, in a series of letters.” But it was intended, that it should be perceived to be my own writing.

* I did not give it this name.

The publication was favourably noticed in the *Courier*, when it appeared ; and I, of course, sent copies of it to the Ministers ; and as I was not aware of any other work extant, containing the same views, it was not unreasonable to conclude, that the Ministers had adopted them : though, as has been remarked, after a manner of their own. To put the question, however, out of doubt, I requested Sir Thomas Lethbridge to be so good as to speak to the Chancellor of the Exchequer, (now Lord Goderich), on the subject, who frankly enough admitted, " that they concurred with me." But he stated, that there were parts of the book which he did not understand. He, in consequence, made an appointment with Sir Thomas, for me to come and see him, in order to explain these parts more fully. This appointment I of course kept. But when I arrived in Downing Street, I was informed by his Secretary, that he had been summoned to attend a Cabinet Meeting, and was compelled to apologize for not seeing me. He, however, left no word that he would be glad to do so at any other time ; and this was all the acknowledgment I ever received, for principles, which, however imperfectly communicated, had opened to them new and important views, upon an important subject, and had upset in their minds all the previous authorities upon the question.

But though they concurred with me, I cannot say I altogether did so with them. There were

four reasons assigned in the letter to the Bank for withdrawing the small Notes.

1st. That the Country Banks had "supported, fostered, and encouraged," the rash spirit of speculation that had prevailed, and that it would operate as some check upon this spirit of speculation.

2d. That it would operate as a check upon the issues of the Country Banks.

3d. That it would diminish the pressure upon the Bank and the metropolis, incident to an unfavourable state of the exchanges, by spreading it over a wider surface.

And 4th. That it would cause such pressure to be earlier felt, and thereby ensure an earlier and more general adoption of precautionary measures necessary for counteracting the inconveniences incident to an exportation of the precious metals.

The first of these propositions, containing a very grave charge against the Country Bankers, received some such explanation, speaking allegorically, as follows:—By giving a horse corn, you make it happy; by making it happy, you make it frisky; and when it becomes frisky, it kicks down the manger, and destroys the very corn which made it happy and frisky; and therefore you must take away part of its corn. Bank Notes, they said, gave rise to prosperity; prosperity to speculation; and speculation to panic; and, therefore, you must take away part of the Bank Notes which gave rise to prosperity, in order to avoid panic. This was, however, not in reality

what they meant. It was the way they got out of the difficulty in which the assertion had involved them. According to this explanation, the Country Banks only generated the spirit of speculation, and that, too, not only indirectly, and innocently, but accidentally : for the same cause had never before produced the same effect ; whereas they were accused of having *supported, fostered, and encouraged* it. Now to *support*, does not mean to generate accidentally and innocently ; but to sustain and supply with resources the thing supported, after it has obtained existence. To *foster*, likewise, means to nurse and to bring up ; and to *encourage*, means to animate and embolden—terms which could never, by any perversion of language, be made to imply the innocent and unconscious cause of any thing. Ministers may not be very skilful in the elucidation or application of principles ; but they are seldom so unskilful in the use of words, the instrument of their power and authority, as their interpretation of these would imply. The public might as well be accused of maintaining, fostering, and encouraging the vices of the debauchee, and the gambler ; because they purchase and consume the produce of his estate, from which his income is derived, and by which his vices are fed ; or of promoting the ruin of the tradesmen, because they purchase goods at his shop, place him, by doing so, in a state of comfort, with which he is not content, and in good credit, which enables him to speculate and become bankrupt. Ministers, in

short, did not apply terms to a body of men, applicable only to personal conduct, except in the sense in which they are usually understood. When they said that the Country Bankers had *supported*, *fostered*, and *encouraged* the rash spirit of speculation, they did not mean to say, that they had only generated it—that they had merely given it life in the first instance. They, in reality, meant what the terms, as applied to Bankers, imported: namely, that the Country Banks supplied the parties embarked in these rash speculations, with money; and that they had likewise done this upon the Stock Exchange of London, where this rash spirit of speculation chiefly existed.

That, however, this was not a fact, may be easily conceived: for independent of the Country Bankers being at a distance from the seat of the rash speculations in question, they were, of all others, the least likely persons to do any such thing. The invariable rule with Bankers is to distrust, and deal very cautiously with those whom they suppose are embarked largely in any speculations, however well they may be conceived: for Bankers can gain little, if they turn out successful; whereas they may suffer much, if they do not.

But the opinion, though not a fact, was a theory; and this theory was obviously suggested by the explanation which had been afforded of the duplicate property of our currency in the work in question. It was generally admitted that this spirit

of speculation had been supported and fostered by the previous abundance of capital in London ; and this abundance, it was explained, had arisen from the great importations of money, which money was held and employed in London on behalf of the Country Banks.

“ Though gold,” it had been remarked, “ be
 “ generally imported into London, it is received
 “ on account of the nation at large. It is part of
 “ the payment received for our manufactures sold
 “ to foreign nations, the labour and materials of
 “ which, in so far as they are composed of British
 “ labour and materials, are the general produce of
 “ the country. Consequently the amount imported
 “ is due to different parts of the kingdom, and Bills
 “ are drawn upon London for the value of it, and
 “ discounted with the Country Banks, who give
 “ their Notes for them. The gold is either coined
 “ at the Mint, or sold to the Bank of England for
 “ its Notes ; and these Bills are paid with the
 “ money thus obtained, to the Agents of the Country
 “ Bankers, to whom they have been transmitted ;
 “ the Country Bankers either allowing the money
 “ to remain in their hands at interest, or other-
 “ wise ordering them to employ it to the best ac-
 “ count for them in the money market.”

Letters, p. 82.

This, of course, brought the abundance of money by which the rash spirit of speculation had been fostered, home at once to the Country Bankers. But there were other modes of employing it on

the Sock Exchange than in fostering Bubbles. The Country Bankers were both astonished and aggrieved at the charge. It produced a considerable run upon them throughout the kingdom; and up to this moment, they have no conception how such an idea could have entered the Ministers heads. The other conclusions of this letter, however, were pretty much of the same stamp.

The second was, that the withdrawing the small Notes would operate as a check upon the issues of the Country Banks: that is, upon the issues of Notes of £5 and upwards: for, after the measure was carried into effect, there would, of course, be no small Notes left. The manner in which this effect was to be produced was thus described by *Mr. Huskisson*. "If," he observed, "the object of his Right Honourable Friend (the Chancellor of the Exchequer) was carried into execution, it would have the effect of making the Country Bankers as sensitive on the subject of the Exchanges, and as watchful of any unfavourable turn which might take place, as the Bank of England now was."

"He would be obliged to watch the circumstances calculated to bring gold into, or send it out of the country; and this caution being timely impressed upon him, the danger would be passed. There would then be no fear of any convulsion, or agitation in the country, as the interest of each Banker would compel him to provide himself for any coming emergency, or, in

“ other words, every Country Bank would feel an
 “ equal interest with the Bank of England in
 “ watching the state of the currency, and guarding
 “ against its fluctuations.”

Morning Chronicle, 10th Feb. 1826.

Mr. Peel, also, observed, that “ no one proposed
 “ to limit the circulation of the country ; transac-
 “ tions might be still carried on in the same manner
 “ as before, but it would certainly be advantageous
 “ to impose on the issue a check, which would
 “ constantly be kept in sight of the Country Banker.
 “ If he had constantly before his eyes this check,
 “ in the shape of a gold currency, and knew that he
 “ was always liable to be called upon to change
 “ his paper into gold, a great effect must be pro-
 “ duced upon him in the way in which he would
 “ regulate his issues.”

Morning Chronicle, 13th Feb. 1826.

Now this was all imagination, and perfectly untrue. No Banker could have told them any such thing. A Banker never attempts to regulate his issues at all. They wait upon, and are collaterally obtained from his other business. He never lends his own Notes. They are merely the instruments by which he lends money previously at his disposal. His funds in London are the criterion by which he governs himself. If he lends a thousand pounds of his own Notes, he only does so, provided he has a thousand pounds in London, which he

wishes to lend ; and his Notes are issued upon the assumption that they may be returned upon him the next day, in demand for a Bill for this £1000. His general business commands him a certain portion of the circulation, and thereby gives him the command of a certain portion of capital upon which he calculates. But he looks back for this circulation, and not forward. An increase of issues is a result which he cannot predict with certainty to be the consequence of any particular operation or loan of money. If, therefore, a Banker only lends money which he has in London, it is of no consequence to him whether the exchanges are for, or against the country. Suppose a person were to sell a thousand pounds stock, and draw upon London for it, the Banker would not decline discounting the Bill, because the party would require one third gold, and only two thirds Notes. The Banker might say, you must pay us a larger commission, because we now have the expense of bringing the gold from London. But the withdrawal of the small Notes would not make the least difference in his wish to increase his issue of large ones upon the basis of funds in London. Hence the withdrawal of the small Notes would not operate as a check upon the issues of the Banks, or make the Banker in the least degree more sensitive on the subject of the exchanges than before.

The 3rd Proposition was—that it would diminish the pressure upon the Bank, and the metropolis,

incident to an unfavourable state of the exchanges, by spreading it over a wider surface.

This would, no doubt, have been the case, provided the exportation of gold would necessarily have contracted the issues of the Country Banks, as was assumed. The money in circulation is continually passing through the Bankers hands; and people, whatever they may place with them, or pay in, only take out the kind of money which suits their purpose; and they never trouble themselves with gold unnecessarily. No more gold will, therefore, circulate than a due proportion with the existing amount of Notes of the Banks; say about one third,* independently of what may be hoarded. Hence a contraction of the currency would release a proportion of gold, and drive it up to London; and this would undoubtedly relieve a pressure upon the Bank of England. But, as we have already stated, the gold circulation will not only not induce a contraction, but will have no effect in preventing an increase of issues by the Country Banks, during an unfavourable state of the exchanges. The chance, therefore, is, that this pressure, instead of being diminished, may be increased at these periods: for while a contracted circulation will release a corresponding proportion of gold, and drive it up to London, an increase of issues will, of course, produce the opposite effect, and

* See Table, No. 3. p. 92. The proportion of gold, in practical circulation, and of small Notes previously to their withdrawal, will be the same.

cause an additional demand upon the Bank. Had there been, in 1825, a gold currency, in lieu of the small Notes then existing, it would not have prevented the increase of issues which took place, in the least degree ; while it would have aggravated that pressure in the money market, against the recurrence of which it was proposed to introduce it as a remedy.

And with regard to the 4th Proposition, that it would cause such pressure to be earlier felt by the Country Banks, &c. This requires no further answer than we have already given. As it would not cause it to be felt at all, it could not cause it to be felt earlier.

Nothing, in short, as it appears to me, could be more unfortunate than this mode of removing pressures from the money market, caused by a demand upon the Bank of England for gold. And I apprehend, after the next bad harvest, when an anti-pressure of capital is experienced from loss of income, simultaneously, as most probably will be the case, with an exportation of gold in payment for an excessive importation of corn ; that it will be found, that the withdrawal of the small Notes has materially increased the evil it was intended to cure.

That the measure should be thus so little adapted to the end proposed, was, also, the more unfortunate ; for, at the time it was introduced, the country was in great distress, in consequence of a contraction of the country circulation produced by

the panic, and a temporary measure of an opposite character would, as has been observed, have been more appropriate.

The measure was popular, however, and supported by great majorities in Parliament.* Nor can it be denied that it was plausible. If a metallic was preferable to a paper currency; it was not unreasonable to conclude, that a currency, one third metallic, would be, at least, one third better. Or, even to go further, it was not at all out of the question to suppose, with the Ministers, that the metallic money might prove a kind of ballast to the paper, and make the vessel of the currency take better hold of the water, and move more in accordance with the ebbing and flowing of the exchanges. But the probability that the gold might thus influence the paper, ought to have suggested the possibility that paper might influence the gold; and that instead of making matters better, might, in that case, make bad worse, as we have shown, was the fact.

The measure in itself was not, however, absurd. But the mode of introducing it was. The views of

* The most able pamphlet which has appeared in support of this measure, entitled "Remarks on the Question of again permitting the issue of One Pound Notes," (Saunders and Ostey,) was written by Mr. Mackinnon, the present Member for Lymington; a friend, (for I appear to "run a muck" at all my friends,) to whose unwearied kindness I have frequently been much indebted in furthering the public objects to which my attention has been devoted, and whose good opinion I esteem it the highest honour to possess.

the Ministers were very proper subjects for enquiry; but were much too crude for legislation. But enquiry, of any sort, previous to introducing the measure, they do not seem to have troubled themselves with. Considering the importance of the principles they had taken from my work, and that it was not so clearly written as it might have been, it is curious, indeed, that they never thought of making some little enquiries of its author. A man may have very important views, and be able to illustrate them in conversation, and yet not be able to put them clearly on paper. Nor were such enquiries the less necessary, if I had stated in my book what was true, namely, that Bankers, who might be naturally looked to on such a question, were not the proper parties to obtain information from.

“ It is surprising,” it is observed, in a chapter, entitled ‘ the cause of some existing errors,’ “ that
 “ while this jealousy is entertained with respect to
 “ Government, individuals are allowed to tamper
 “ with the currency as they may think fit. The
 “ value of all the property, and the transactions
 “ of all the inhabitants of this kingdom, are de-
 “ termined by the quantity of money which a cer-
 “ tain number of Banking Establishments find it
 “ agreeable to their respective interests to keep in
 “ circulation; a principle, so extraordinary to be
 “ in practical operation, that after ages will won-
 “ der at the fact. It would not be more improper
 “ for the standard coin of the realm to be manu-

“ factured by private individuals, and altered as it
 “ suited their convenience ; or that the weights and
 “ measures of the kingdom should be subject to the
 “ same fluctuations.

“ In the present day, however, this system could
 “ never have stood, had a proper knowledge of its
 “ defects existed ; or, in fact, without its having
 “ been supposed to be governed by what are usually
 “ called sound principles.

“ It has been all along supposed that the Banks
 “ constantly furnished the country with the precise
 “ quantity of currency it required. This idea has
 “ been derived from the Bankers ; who, being
 “ always obliged, by the internal balance of pay-
 “ ments, to keep their issues at some particular
 “ level, erroneously mistook this level for the
 “ wants of the country. Finding, also, that the
 “ amount of Notes, which they could keep in cir-
 “ culation, was extended with a rise, and di-
 “ minished with a fall in prices, they inferred, that
 “ the additional demand for Notes was produced
 “ by the elevation, and the reduced demand by
 “ the depression of prices.

“ These were not unnatural deductions for
 “ those who drew their conclusions behind the
 “ counter ; but as they substituted cause for effect,
 “ and brought the market to the money, instead
 “ of the money to the market, it is rather sur-
 “ prising that they should have been so universally
 “ adopted without examination.”

Letters, p. 42.

I made similar observations in other parts of the work ; and if they concurred with me in these, as well as in the principles it contained, as admitted by the Chancellor of the Exchequer, I was, in all probability, the only party, so far as they knew, practically connected with a Bank, from whom they could expect to obtain the truth.

In the conclusion of the work I further observed—" The reader may, perhaps, concur in " thinking that our system of currency is so very " bad, that a Parliamentary enquiry into the state " of it must sooner or later be made. The author " looks to the result of such an enquiry for the " establishment of the truth of the foregoing principles, and the adoption of the plan proposed " for regulating the currency."

Now it was no part of the original intention of Ministers to institute a Parliamentary enquiry ; but one was forced upon them, as regarded the circulations of Scotland and Ireland. And it would naturally be supposed, in this case at least, that I would be one of the first persons summoned as a witness—that while many would come forward to defend the existing system, that I should be brought forward to impugn it. Such, however, did not appear to be the wish of the Ministers ; for they never called me at all, though they summoned two or three other gentlemen connected with the Provincial Bank of Ireland. As the true reason of this, whatever it might be, would never

be understood, I felt myself rather awkwardly situated; and putting, perhaps, more importance on the matter than it deserved, I was obliged to take some trouble to get myself examined, in which I succeeded. But, in the Lords, they hardly examined me at all, and in the Commons they ended my examination where they ought to have begun it.

The parties examined, who were chiefly Bankers, and Bank Directors, all, of course, contended, that the Country Banks could not over issue. But the most able and intelligent witness holding this doctrine was, the late Mr. Kinnear; and Mr. Peel attempted to cross examine him on the point, but did not know how to do it, and Mr. Kinnear established his position.

My impression of the measure at the time, without giving it much consideration, was, that it was an improvement, so far as it went; but that if there were any intention to regulate the paper currency on the principles I had recommended, the improvement would not be worth the cost. That the Ministers, however, had some views of this kind, may be inferred, not only from the admission of the Chancellor of the Exchequer that they concurred with me, but from some observations of Lord Liverpool, who stated, that “ He admitted, though he preferred a metallic circulation under all circumstances before a paper circulation, yet that a system *“ might be formed so sound in its nature, and so well
“ arranged and put together, as to make a paper cir-
“ culation answer to a degree.* But with respect

“ to this, the general state of the law, as it now
 “ existed, offered a difficulty. The measure he
 “ was about to propose, he acknowledged, was a
 “ divided measure ; in other words, it was a half
 “ measure. But why was it so? Because the
 “ Charter of the Bank of England interfered to
 “ make it so. We must, and we ought to go fur-
 “ ther, and further we would go, as soon as we
 “ could.”

Morning Chronicle, 17th February, 1826.

The words in Italics are left out, and other trifling alterations made in the revision of the speech contained in Hansard's Debates. But the reporter is not very likely to have imagined these words, nor is the passage very clear without them. For if the going further did not refer to having more gold, which the Bank Charter did not prevent, it must have referred to something which it did ; and it undoubtedly did prevent the establishment of such a system of Banking as had been pointed out as the basis on which a self regulating system of currency ought to rest. If their going further, therefore, meant that they contemplated the introduction of a more perfect system of paper currency, which would supersede the necessity for a gold circulation, the measure they proposed was only for a temporary purpose, and had it been an improvement, would still not have been worth the cost.

The consequence of their adoption of this mea-

sure was, that the true remedy for panic was lost sight of. The small Note question dealt with the symptoms, not with the disease. The remedy required was an alteration in the system of Banking itself. But the attention of Ministers, of Parliament, and of the country, being thus diverted, the plain common sense mode of preventing panics by the introduction of Banks that could not be distrusted, was lost sight of, and a Bill passed avowedly for the purpose of improving the Banking system, but containing clauses, as we have before mentioned, intended to defeat the object of the Bill, which it nearly accomplished, as will be seen in the next Chapter.

Thus, when the Ministers first touched the Banking question in 1822, they strangled it; and now, when it had been revived by circumstances which compelled them to bring it forward a second time, instead of furthering it, they, by a most extraordinary mode of dealing with the plainest proposition in the world, did it all the mischief they could. Had they submitted the question to a Committee, and allowed it to take its chance, the genius of blunder could not have set it very far wrong. But they unfortunately hugged it with their patronage, and nearly squeezed it to death.

It can never, I imagine, be contended that this ministerial mode of bringing forward important

questions, is a proper one. Few men would have determined upon the building of a dove-house upon such evidence as appears to have satisfied Ministers with respect to the small Note Bill, much less upon a measure affecting the property and happiness of a whole nation. Besides the principles that one Committee have established after deliberate enquiry, another only should be allowed to impugn. Parliament ought never, at any time, to receive new doctrines upon such questions from individuals ; though they may happen to be Ministers.

But Parliamentary enquiries, also, are seldom useful, if the parties examining, and the parties examined, are both ignorant of the principles to be elucidated. The blind can never lead the blind to any very clear sighted conclusion. If a person were going to build a house; and two builders, whom he consulted, were to disagree as to the mode in which it could be made habitable, and yet he was obliged to decide one way or the other, common sense would point out to him the propriety of bringing them together, so that he might hear what they had to say to each other. And if the interests of the nation on this question had been governed by common sense, it is clear that Mr. Kinnear, and myself, differing upon a most important principle, would have been brought before the Committee of 1826 ; and I would have been allowed to examine him, or suggest questions to be put to him by the Committee, and *vice*

versa. By this means, if the truth had not been elicited, the difficulties would have been pointed out; other evidence would have been brought to bear upon it; and, if not discovered at once, would have been discovered at last. It is quite absurd, that, against all the rules of common sense, the nation should not be permitted, on important questions, to enjoy the chance of arriving at the truth, by an examination of those who are likely to know most about it; and this, too, for no other reason, than that Ministers may appear, in the eyes of the world, to have more knowledge than they possess.

Now, integrity will very often supply the want of wit. The steps which we ought to have taken in order to avoid a blunder, are frequently very obvious after we have committed it. If, however, the Ministers had paid due regard to the Eighth Commandment, it would have supplied the place of forethought on this occasion. Indeed, Providence generally punishes, very severely, the breach of this Commandment upon the community, where the community do not interfere to prevent its breach by individuals. Human laws against theft, by preventing the infringement of this law by individuals, preserve the community from the evil consequences which would otherwise be entailed upon society at large. Honesty is an indispensable ingredient in the cup of human intercourse; and where it is wanting, the mixture is sure, in one way or other, to turn poisonous,

as in the present case. Had the laws of literature, and of honour, and, of course, the practice of honourable men, prescribed that no one should be permitted to make use of the ideas of another without acknowledgment, it would have been impossible for the Ministers to have brought the measure forward on their own authority; for, in that case, they would have had to have quoted my work as the source of their views, or some other work, if they took their views from any other. This, of course, they would not have done. If, as I have supposed, it were my work they were indebted to, it was unknown, and no authority whatever; though presenting abundant materials for enquiry. Enquiry would, therefore, have been their only course. In conducting this enquiry, the same law would have been equally imperative; and as they could not have committed piracy in the Committee, more than in Parliament, they would have been driven to make the best use of me they could. In this, perhaps, I might, as is said of a blundering witness in a Court of Justice, have broken down; I might have diminished the small share of credit which my publication was calculated to afford me. But if the principles proposed by me were true, they would not have broken down, though I might; and the discussion of them would have called more powerful minds to their elucidation, and have prepared the way for that change in public opinion which ought to precede every change of mea-

asures with regard to so important a question as the Currency. Had this been done, the measure would, in all probability, not have been proposed, if, as I have inferred, it was wrong; and the nation might have been saved ten or twelve millions, expended in obtaining the gold required, besides the misery and distress which was endured in obtaining it. Thus, candour and integrity would have secured what ought to have been the result of prudence and forethought.

In making these observations, I must guard myself against its being supposed that I have any personal feelings. I object to this ministerial system of piracy; and, as a sufferer in some degree by it, it is not, I trust, improper in me to do so. But the Ministers in question did nothing that any other men in their situations would not have done. Sir Robert Peel is admitted to be a man of great personal integrity, and as little likely ever to imagine a wrong to any individual, much less to inflict one, as any person living.

Lord Goderich, whom I have also spoken of, is a person still less likely to do so, if any distinction could be made between them. Indeed, I once had reason to remark his peculiar delicacy in this respect. In the course of an interview with him, when out of office, on the subjects of Currency and Banking, I happened to mention that I had originated the latter question, which he did not remember; but, upon considering it, and looking at my pamphlet, which he had no

doubt taken the trouble to do, he was satisfied of the fact, and took an opportunity of particularly noticing it to Sir Thomas Lethbridge, with a view, I am persuaded, of its being mentioned to me again. It is only men who are afraid of being thought even to imagine a wrong, that would take that trouble.

With respect, also, to Mr. Huskisson, if I have done him wrong in public, which I hope I have not, it is more than I can accuse him of doing me in private. No person could express more favourable opinions of me than he did. Mr. Tennyson,* I am persuaded, will not object to my quoting him as my authority, when I state, that he once spoke to him of me, in terms which I could not very well repeat of myself, further, than that he stated, that "he had the greatest confidence in anything I proposed." In short, I entertain no feelings but those of respect and good-will towards the individuals that I may have spoken of. My observations are not directed against them in particular, but against a system of making free with what may be termed the mental property or rights of others, which all Ministers do, but by which they gain nothing in the long run; and by which, as I have endeavoured to shew, the public frequently suffer as well as the individual.

* The Right Honourable Member for Stamford, whose public spirit and firmness of principle is only equalled by the goodness of his heart and the friendliness of his disposition.

CHAPTER XI.

The Piracy of the Quarterly Review.—The History of the growth of Joint Stock Banking in England.

SINCE the first publication of my pamphlet on Banking, in 1822, I had reduced the principles it contained to practice by the formation of the Provincial Bank of Ireland.

In making this remark, I may observe, by the way, that I do not mean to take to myself any undue share in the credit of forming that important establishment. I merely furnished the plans of it, united the parties together, by whose influence and aid it was carried into effect, and to whose management the public were willing to confide their capital, and, for these purposes, became, for a short time, its Secretary. It is usual, I believe, to term this, founding an establishment. But such an undertaking could never be founded by one person: it must always require the combination of much zeal and intelligence for such an object, which was happily united in this instance.

Nor had any subsequent publication, not excepting the Report of the Committee of 1826, thrown any more light upon the subject than my original pamphlet had afforded. The Report, as far as it related to Scotch Banking, confirmed and illus-

trated, but did not add to the information the pamphlet contained, in any important particular. The principle which the latter established was, that the Scotch Banks were successful, not from their being Scotch Banks, managed by Scotchmen, or any other fortuitous circumstance, but from their being Joint Stock Companies : that the principles of their success were inherent in the system itself. And this argument was adopted by Ministers in their letter to the Bank. But in none of these proceedings had my name or pamphlet ever appeared ; and I was as little known to the public at large in the question, as if I had had nothing to do with it.

Indeed, I am not aware, even at the present day, that the public give me credit for the full share in it which I may be said to have had, as my writings on the subject have not obtained public notice. Indeed, the subject, except for a short time during the panic, has not been taken up by the periodical Press, with the exception of the *Courier* and *Quarterly Review*.* The latter publication has, however, adverted to it more than once. But, in an article in its 84th Number, the question is more especially treated of with much ability ; and it is no trifling compliment, of which I am, I trust, becomingly proud, that a writer of such talent should, in 1830, be led to take the materials of his essay from my publications, notwithstanding the impor-

* The *Times* in its city article has adverted to it lately, with its usual power and effect.

tance of the subject, the measures which have been adopted regarding it, and the discussions in Parliament to which they gave rise. This, however, is the case, as respects the Banking question, to which the article is principally devoted; his views, regarding the currency in connexion with it, are taken from Sir H. Parnell's able work on Paper Money. But in thus acknowledging my obligation to the Reviewer, I am compelled to observe, that I am not following his example: for, though his arguments, as regards Banking, are chiefly, if not exclusively, taken from my original pamphlet, and a subsequent work,* yet not the least reference is made to either. Of this, some little proof may be afforded by two or three paralell extracts, which I have given in the Note below.† An able writer, such as the author of this article, might have pirated the arguments, without the language, as completely as with it; and have improved them

• Views on Currency. Ridgway.

† *From the Quarterly Review.*

IF the subscribed capital of such an institution be fully sufficient to guarantee its creditors against every chance of loss, the public can derive no advantage from involving the shareholders in any additional responsibility. There are five Banks in Edinburgh; in two of these, (the Commercial Bank, and the National Bank, of Scotland,) the partners are responsible for their engagements

From the Publications pirated.

THE public do not want more security than enough; and where the capital of a Bank is sufficiently large, the responsibility of the partners is of no use to the public. There are five public Banks in Edinburgh. The partners in two of these, the Commercial and the National Bank of Scotland, are responsible for their engagements to the whole extent of their fortunes.

by clothing them in words of his own ; which he did in other parts of the same article. These extracts, however, will show how complete a piracy it was.

What a person thus does so openly, and unhesi-

to the whole extent of their fortunes. The former possesses a paid up capital of £600,000.; the latter has a capital of £500,000. The other three Banks have been established by charter; and the partners are absolved from all responsibility beyond the amount of capital actually subscribed and paid up. Two of these chartered Banks (the Bank of Scotland, and the Royal Bank,) have a capital of more than a million sterling each, while the third (the British Linen Company) has only half a million. It is notorious to every person acquainted with the transactions of these chartered Institutions, that these three Banks enjoy as much credit and public confidence as either of the two other Banks, in which the united properties of the partners, amounting, probably, to ten millions sterling, are responsible for their engagements. It deserves, also, to be mentioned, that, although the British Linen Company appears to offer the least security to the public, still it enjoys as much credit, and transacts, proportionally, as much business, as any of its four rivals. The experience of a long series of years has fully proved, that a capital, not exceeding half a million sterling,

The first has a paid up capital of six, the last of five hundred thousand pounds. The other three are chartered Banks; and the partners are not responsible beyond the capitals paid up. Two of them, the Bank of Scotland, and the Royal Bank, have each a million of capital, and upwards; while the other one, the British Linen Company, has only half a million. Now, the chartered Banks enjoy as much credit as the other two, although the united properties of the partners in each of them must be five or ten millions at least; and the British Linen Company enjoys as much credit and business as any of the five, although it offers the least security to the public. It is found, by experience, that half a million of capital, under the management of a Board of Directors, who make a general statement of its affairs, and a dividend every year, is sufficient for the trade of Scotland. All that people want, is, to be safe. They do not get more out of a Bank than they put in, let its capital be ever so large. Hence, the personal responsibility of the shareholders in the Commercial and National Banks is of no benefit, either to the Banks themselves, or to the public, as re-

tatingly, it may be inferred, he cannot have thought there was much harm in doing. But he, notwithstanding, adopted the usual practice on such occasions. In writing an essay, under the character

managed by a Board of Directors, who lay annually before the shareholders a detailed statement of its affairs, is amply sufficient for the operations of the Institution. All that the public want is to be safe. The creditors of a Bank cannot draw out more than they have paid in, however large may be the capital possessed by the partners. In short, it has been found in practice, that the personal responsibility of the shareholders in the two Edinburgh Banks, established without a charter, yields no benefit, either to the Banks themselves, or to the public at large. * * * * *

Review, No. 84, Page 480.

The Bankers in Scotland are, in fact, dealers in unemployed capital. They form an open and universally known channel of communication between the borrower and the lender, in the money market. They acquire a perfect knowledge of both parties. They borrow money of those who have it to lend, and lend money to those who want to borrow, and charge a profit of one per cent. upon all cash transactions, for the use of their own credit, labour, and skill. Any person opening an account with the Scotch Banks, re-

gards the additional security it affords.

Views on Currency, Page 204.

The original and proper business of a Banker is to trade in capital. He ought to be that medium between the borrower and lender in the money market, which a merchant is in other commodities. It is the business of a merchant or trader to buy of the producer, on the one hand, and to sell to the consumer or retailer, on the other. He acquires a knowledge of both parties, and they of him; and, for his credit, capital, labour, and knowledge, he charges a profit upon the commodity, which, through his agency, is trans-

of a review, the understood rule is, to rob the best book and praise the worst on the subject. By this, you mislead the public attention, set off your own composition, gain credit for candour and

ceives 4 per cent. (or some other amount less by £1. than the average rate of interest,) upon the balance left in their hands. He may pay in money whenever he chooses; this is carried to the credit of his account, and interest allowed for it from the day in which it is deposited. He may draw his money out, when, and in what sums as he thinks proper; and his loss of interest on the sum so drawn out, commences only from the day on which it is received. Their object, however, in borrowing capital, is to make a profit by lending it; hence the facilities which they give to borrowers are as great as they can be consistently with safety. In the first place, they will discount Bills, and other Mercantile securities, which are perfectly regular and good, at all times, and to any amount. This is an incalculable advantage to the merchants of Scotland. They know that they can fail of success only through their own rashness, or miscalculation.

• • • • •

Review, No. 84, p. 491.

ferred from the party who has it to sell, to the party wanting to purchase it. Now, what a merchant is in other commodities, the Scotch Banks are in money. They borrow it of those who have it to lend, and lend to those who want to borrow it; acquire a knowledge of both parties, and charge a profit of one per cent. upon the transaction. Any person opening an account with them, receives four per cent.* upon the balance in their hands. He may pay money to the credit of his account when he chooses, and he receives interest for it from the day it is deposited; he may draw his money out of the Bank when and in such sums as he thinks proper; and only loses interest upon the sum drawn, from the day of receiving it. On the contrary, any person, giving proper securities, may open an account with them, and draw to the extent of the security given, for which they will charge him five per cent. upon the fluctuating balance he owes. Consequently, a person, who has money to lend, is saved all the trouble, not unattended with risk, of mortgages; and

* Since the above was written, they have reduced the rate of interest to two and a half per cent., and have raised it again to four per cent.

integrity, and make a friend, where this is desirable ; for a man praised above his merits, although he does not doubt your judgment, cannot question your good-will. When Mr. Huskisson wanted, in

may have his money, or any part of it, at any time, should a desirable purchase fall in his way ; whereas, with a mortgage, he cannot draw his money when he wants it—must take it altogether when he does draw it—or, if the borrower chooses, must take it, whether he wants it or not. Their object, however, in borrowing, being to lend, the facilities given to borrowers are equally great. In the first place, they will discount Bills, and other mercantile securities, that are perfectly regular and good, at any time, and to any amount. Thus, merchants can calculate, with certainty, upon being accommodated, in the course of regular transactions, to any extent, which is of infinite service to them ; as it would be better for a merchant not to have such assistance at all, than to have any uncertainty respecting it.

Essay on Banking, p. 10.

In the last place, the Banks of Scotland make advances, to a very large amount, upon the security of real property. The plan pursued, in these transactions, is, that the owner should pledge his estate with the Bank for a given amount, and open an account with it ; up to the amount, thus agreed upon, he may then draw upon

In the last place, they make advances upon real property, some of them to a very considerable extent. The plan they pursue, I believe, is, for the proprietor to pledge his estate, or other property, with the Bank, for a given amount, open an account with it, and draw as his occasions may require to the amount prescribed.

the preface to his work on currency, to gain credit for candour, and enhance his own merits, he, in a note, praised a work most extravagantly, which, though sensibly written, was tedious, and had

the Bank, as his occasions require. This offers very great advantages both to the lender and to the borrower. The former is saved all the trouble and inconveniences of a mortgage; he is sure that the interest will be punctually paid, and that he may have the principal, or any part of it, at any time, should a desirable purchase fall in his way; whereas, if he advanced his capital on mortgage, he could not call in his money when he wanted it; he must take it altogether when he does call it in, although he may really want only a part of it; or, if the borrower choose to pay it off, he must take it whether he want it or not. Hence, every capitalist considers the Banks of Scotland much more convenient as borrowers, than private individuals; he is, therefore, found generally willing, for the sake of these advantages, to lend his money to the Banks, at a somewhat lower rate of interest than he could obtain for it, if advanced on loan to private individuals. On the other hand, the owners of real property prefer borrowing of the Banks, to borrowing of private capitalists. Individuals often call in the money they have lent out on mortgage, when they can find a better employment for it, or

Thus, when any persons wish to borrow, the facilities held out to borrowers, induce them, equally with the lenders, to make application to the Bank. As individuals often call in the money they have lent out on mortgage, when they can find better employment for it, or when the death of a party produces a division of his property, by which a great expense to the mortgagee is incurred in procuring a fresh mortgage; Banks are, therefore, more to be depended upon; and borrowers being just as much wanted by them as lenders; and the money which they lend being rarely, or, in fact, never called in again, until it is the pleasure of the borrower to pay it off—people, in want of money, will prefer dealing with the Banks at even a higher per centage, while lenders, on their part, prefer dealing with them at a per centage something less than individuals would give. Thus, in consequence of the security of their property, and the readiness with which they can, at all times, obtain it when wanted, a difference of one per cent. is not found to be a sufficient inducement for the borrowers and lenders to pass by the Banks, and to transact their business direct with each other. If they did, the gain

nothing new in it. And the writer of this article adopted a similar expedient. "We cannot conclude," he observed, "without quoting another brief passage from the *masterly* pamphlet of "Mr.——."

when the death of a party renders the division of his property necessary; this obliges the mortgager to procure a fresh mortgage; a measure which unavoidably involves him in much trouble and expense. But the Banks are more to be depended upon; it being a very rare occurrence, that they should call in money advanced on the security of real property, until it happens to be the pleasure of the borrower to pay it off. The owners of real property, when in want of money, prefer borrowing of them, rather than of private individuals, although the rate of interest, charged upon the loan, be somewhat higher. This difference between the rate at which they lend, and that at which they borrow, constitutes the profits of the Banks; if the borrowers and the lenders choose to deal directly with each other, they might, no doubt, divide the amount of this profit among themselves; that is to say, the lender would get ten shillings per cent. more for his money, than he now obtains from the Bank; and the borrower would pay ten shillings per cent. less than is now charged him by the Banks; but taking all the inconveniences into consideration, it is found, in practice, that this difference does

would, of course, have to be divided between them, and a half per cent. would be no compensation to either party for the additional inconvenience, risk, and trouble, in which they would be involved. Whereas, the Bank being open, and ready, at all times, to meet the wants of each party, unless among particular friends, neither party ever thinks of making further enquiries upon the subject, but transacts the business with the Banks as a matter of course. They are, therefore, at once the great depositories of the money capital of the country, and the source from whence the supplies of it are drawn.

Essay on Banking, p. 12.

“ We still hope that the facts and arguments of
 “ this *clear* and *energetic* pamphlet may meet, ere
 “ the Session of Parliament closes, with that at-
 “ tention they so well deserve. The great talents
 “ and acquirements of Mr.—— have been ex-
 “ hibited in many previous productions : but we
 “ do not hesitate to pronounce this the most valu-
 “ able tract that has ever proceeded from his
 “ pen.”

The work was anonymous, though the author's name was given. Hence, the writer of the article, and the author, must have been known

not form a sufficient inducement for the borrowers and lenders to pass by the Banks, and transact their business directly with each other. Each party is, in short, willing to pay the Banks a compensation of ten shillings per cent. for relieving them from all the trouble and inconveniences attendant upon a mortgage. The Banks being open, and ready, at all times, to meet the wants both of the borrower and lender, neither party, except, perhaps, occasionally among particular friends, ever thinks of giving himself further trouble about the business ; but, as a matter of course, transacts it through the Bank. From the operation of these great causes, the Banks have become the depositories of very nearly the whole of the money capital of Scotland, and constitute almost the only source whence the supplies of it are drawn.

Review, No. 84, p. 493.

to each other ; and, it is needless to observe, of a work praised after this fashion, that the author was a man of fortune. It was entitled, “ *The Currency Question freed from Mystery* ;” and as this was proposed to be done in fifty pages, perspicuity in language might appear to have been necessary. Of this, take the following as an example :—

“ It is an abstraction of so much of the capital employed by them in production ; of such a portion of capital as would otherwise have afforded a profit to its owners, and employment to perhaps a million of labourers, at fair weekly wages, and a decent maintenance, reckoning the families of the latter *at an average of five, to five millions of souls.*

As the pamphlet was so energetic, the illustrations it contained were, no doubt, forcible. Take the following as a specimen :—

“ Now does any one suppose that a demand for twenty millions of gold, to be provided within three years, in addition to the usual demand for other purposes, will not raise the value of gold all over the world ? It would be idle to attempt to guess at the quantity of gold available for purchase in the civilized world. But twenty millions of sovereigns must make a very large hole in it. *Suppose, for any purpose, as the making a new set of regalia, that twenty millions of pearls were indispensably wanted in England, does any one believe that pearls would not rise in value*

“to double or treble their former exchangeable worth?”

Now these two specimens are taken from that choice portion of the work which the Reviewer himself selected, to justify the high character given of it, with the exception, that he cut out this happy illustration ; thus admitting that this masterly production, even in its best parts, would be no worse for pruning.

As the pamphlet, also, was clear, it might, likewise, be expected that the arguments would be obvious and conclusive. Of this, take the following as an evidence :—

“There is no mystery,” the author observes, “in the matter of the circulation, though it has been much and needlessly mystified. A certain quantity of the circulating medium is required to carry on the varied money dealings of the country. If the Banks are not limited in their issues of paper, there will be almost always a sufficient supply ; because persons, possessed of property, will then always be able to command money upon it. Should there, on the other hand, be an over-issue of paper currency, as compared with the demand occasioned by the real *bonâ fide* transactions of the country, the immediate consequence must be a fall in the value of money, that is, a rise in prices. The price of gold cannot, in this country, rise with every thing else, *but it will rise abroad, because there it maintains the same relative value to goods*

“ *as before.* There is, therefore, a bonus to be “ gained upon its exportation.”

Thus the author clears the subject from mystery by informing us “ that gold will rise abroad, because it maintains the same relative value to “ goods as before ;” which is as much as to say, that gold will rise, because it will not rise.

Another extract will be sufficient:—“ The Act “ of 1819,” the author observes, “ identified money with gold. *It fixed, to be sure, a very high “ standard, three or four per cent. higher than the “ price of gold at that time, and, therefore, raised in “ that proportion the value of money, and with it all “ public and private burdens on industry.*”

It is unnecessary to remark what every body knows, whether they know any thing about the subject of currency or not, that raising the standard in the manner pointed out, was lowering the value of money, and diminishing all public and private burdens contracted and expressed in money, instead of increasing them.

I need not, I am persuaded, further multiply extracts, to show that the character given of this pamphlet was an imposition both upon the author and the public. But when I make this observation, which I do with reference to the Reviewer exclusively, it gives me great pleasure to say, that the subsequent publications of the same writer are of a very superior cast; and notwithstanding the observations of the Reviewer, I imagine this was his first attempt of any consequence.

The instance of piracy and humbug, which I have thus pointed out, is understood to be a common practice with the Quarterly Reviews. They are considered the receivers of stolen goods in literature; their articles a cheat, and their praise as frequently a satire.

How far this, as a general accusation, may be true, I am unable to say with correctness. But it is not the first time I have been treated in a similar way; and that the practice is common, might be inferred from the undisguised manner in which the theft was perpetrated in the present case. Were it unusual, it would have been done with more caution.

This want of caution, indeed, may arise from conscious security. These reviews may plunder as they please, no author dare complain. If he be generally read, they, of course, do not make quite so free with him for their own sakes; and if he be not, his complaints would never be heard. It is more prudent, however, to submit to the wrong. To attack the Quarterly Review in self-defence, would be as foolish in an individual, as for a dwarf to attack a giant. Persons possessing unlimited power, are apt to be tyrannical in any situation: and the press, as against individuals, possesses such power. The tyrants of history were generally good kings. They acted fairly enough by the public. They were only relentless and cruel to those who personally offended them. So with the press. It does ample justice to the public.

But is capricious towards individuals; and if a poor wight happen to intercept the sun from shining upon it, or in any manner offend its high mightiness, it possesses the sting of the scorpion, and uses it as relentlessly.

This, at least, the imagination of an author would picture; and as I should very much dread either the open enmity, or more covert malice of the Quarterly Review, it will naturally be inferred, that, in exposing the system of fraud in question, I run a perilous risk. But I cannot forget, that the Review is the property of an honest man, and is conducted by a man of honour, and a gentleman; and I feel confident that they will show more dignity, than permit any such return for a complaint which is so obviously a just one. If the servants, or persons in the employment of a gentleman, and an honest man, were, in serving him, to rob you of your watch, and you were to complain to him, he would be concerned at the robbery, not offended at the complaint, and would not only assist you in recovering your property, but would take care to put an end to the practice. But if, on the other hand, he were captain of a band of thieves, he would defend himself and his band by bullying you, besides being revenged upon you in some other manner. As the piracy cannot be denied, the only honourable way most undoubtedly is to acknowledge the fact, and put an end to the practice.

This, also, may be easily done. The Editor

cannot be supposed to know the sources from whence all the ideas are derived, which the various articles in the Review contain. But it is obvious, that if he did not tolerate such frauds, they would not be committed. If he were, at all times, willing to make the *amend honorable*, and acknowledge them when they were pointed out to him, and not admit the articles, in future, of those who committed them, the custom would be discontinued. The Editor is not blameable for the fraud of any particular article, but he is blameable for the practice.

And how the practice ever came to be tolerated, is surprising: for nothing is gained by it. The writer gains no reputation—the Review no sale. It is of no consequence to the public where the ideas come from, which an article contains. It is understood that these Reviews do not indulge in original speculation themselves. But select with judgment the best views extant upon any subject, and put them in a popular form. Their character for integrity is of much more importance, than their character for originality. If the public thought the views original, they would have less confidence in them; and why they, the sister Queens of Literature, should set a vile example, in straining after a character for originality, which could do them no good if they had it, is incomprehensible. In short, it can only be accounted for, from the state of utter demoralization on this point, which the practice of Ministers, and those connected with public affairs, has introduced.

An honest principle, not adopted by those, whose conduct are the models to which we look, and by which we fashion ourselves, ceases to be practical. Public virtues are chiefly fostered by the praise of men, and a virtue that no one exhibits, no one can praise, and no one will practise.

Not being known to the public as the author of the Bank Question, I may be presumed to have felt some difficulty as to the realization of the views which induced me to grapple with it in the first instance. But I still persevered. The law which had been passed to prevent the formation of these Banks, no doubt threw, at the same time, great impediments in the way of establishing them. But if the example of forming them could be once properly shown, it would, in all probability, be followed. We are gregarious animals, and, in all we do, are governed much more by example than precept; and having furnished the precepts or principles which led to the passing of the law; in order to render my work complete, it seemed desirable that I should endeavour to secure their practical adoption. Besides which, a very independent way appeared to present itself, in which I might be requited for my trouble. Any one who can obtain the connexion of a nation in any pursuit of profit, possesses a fortune; and where a preference, on equal terms, is all that is required,

a party possessing claims against those who have none, may, it is generally presumed, calculate upon such preference. Now every Bank has certain agents in London for conducting its business; and in the forming a new Bank, these have to be appointed; and it is of little importance to the Bank itself, the business being equally well done, who they appoint. I, consequently, formed a connexion with a suitable house, to undertake an agency which every Bank would require; and having done so, proceeded to take the steps requisite to give a practical effect to the Act which had been passed.

For this purpose, the first thing necessary was to publish a new edition of my original pamphlet. Trades used to be called mysteries, and all trades are so to those who do not understand them. But of all others, the trade of Banking did appear to be the most dangerous and mysterious to the public; and the object of my pamphlet was to show that it was neither the one nor the other; so as to induce people to set up Banks, who might otherwise have imagined the subject one they were not competent to deal with. In order, however, to make it more complete in this respect, I now added to it an Essay on Bankers' Book-keeping. That which strikes persons as the greatest difficulty about a Bank, is its system of accounts. They do not perceive how the multifarious books of a large establishment can be concentrated and simplified in the form of a balance sheet. Nor was

there any publication extant on the subject. The most improved forms of Book-keeping, by double entry, for the use of merchants, are not sufficient for a Bank, which ought to be able to produce a balance sheet, in a few hours, at any time. I, therefore, attached to the Pamphlet the Essay in question. To this, I further added a description of the proper steps necessary to be taken to form a Bank, with copies of prospectus, deeds of settlement, &c. in order to furnish hints for the preparation of such documents. By this means, the pamphlet was rendered a Manual for Bank making; and to save all personal explanations on the subject of my views and objects, I stated them in the Preface.

My first step was, to propose the establishment of a Bank in London, similar to the Provincial Bank of Ireland, with improvements. But Mr. Wilks, of Joint Stock notoriety, did the same thing; and having understood from him, that he was likely to obtain the patronage of the Ministers, which, from Lord Liverpool's conduct to Mr. Mudford, I considered out of the question to expect myself, I gave up my project, on the understanding, that, if he succeeded, I should have the business connexion of it.

I thence turned my attention to the country; and the first place I went to, was Lancaster, where a Bank was wanting. I took a letter of introduction, calculated to secure me a favourable reception; and the two gentlemen I called upon placed themselves at the head of a subscription for the

purpose, and a **Bank**, in consequence, was formed there, though with much difficulty.

The second established, was at Huddersfield. I went on the invitation of a respectable Solicitor of that place; left him a number of pamphlets to distribute; and after they had had their right effect, and he was enabled to form a party to establish the Bank, I wrote a prospectus, which was circulated previous to calling a meeting; and also resolutions for the meeting; and it was established with great eclat.

The eclat with which this Bank was formed, led to a somewhat ill-digested attempt to do the same thing at the neighbouring town of Bradford. Example will do much; but it will not do every thing. A meeting was called; but the Chairman, at whose instance it was summoned, discovered that he would be personally responsible for the transactions of the Bank, if he took shares in it, and he resolved not to do so. He had come forward by the force of example, without sufficient previous consideration; and when I arrived in Bradford, the day before the meeting—having gone down from London to attend it, I found it likely to prove an abortion—nothing was prepared—no one was disposed to take any lead, and the person most competent to do so, was uncertain even, whether or not he should attend the meeting. I called, however, upon those I understood took the most interest in the question—distributed pamphlets amongst them, and did my

best to prevent the failure of the attempt ; and the Bank went on. But the subscriptions did not fill up ; and a month or two afterwards, upon paying a second visit, I was informed, that the establishment of the Bank very much depended upon whether a great Iron Master in the neighbourhood, who had that day come down from London, would attend a meeting to be held the same evening, and agree to become a Director ; both of which were extremely doubtful. To this gentleman's house I, in consequence, proceeded, and found him sitting after dinner in company with an intelligent relation and friend, who had partly, if not entirely persuaded him to have nothing to do with it, on account of the risk connected with Banking. After a considerable discussion, however, he was induced to attend the meeting, and become a Director ; and the Bank was established, though not more than two thirds of the proposed capital had been subscribed.

The next Bank was established at Norwich, by the influence of a personal friend of my own, to whom I gave the assistance he required.

After this, I went down to Workington, and Whitehaven, which are within a few miles of each other, where I called upon the leading people, and distributed pamphlets amongst them. Mr. Curwen, with whom I was on friendly terms, resided at Workington Hall, and I engaged his Solicitor, or rather his Solicitor's son, to form a Bank, in which he eventually succeeded : and

this was afterwards followed by the establishment of another at Whitehaven.

I likewise made an attempt to form a large Bank at Manchester, which I did not accomplish; and another in the counties of Durham and Northumberland, in which I also failed, after much labour and trouble.

The first four Banks, however, succeeded wonderfully. The Lancaster Bank was established with difficulty; but after the First Annual Report, its shares were sold at 100 per cent. premium on the capital paid up.

The shares of the Huddersfield Bank, which possessed a much larger paid up capital, sold at twenty or thirty per cent. premium, immediately after the First Report. The Norwich Bank at fifty per cent.; and the first sale of the shares of the Bradford Bank was made, I believe, at seventy-five per cent. premium.

This success immediately gave rise to the Manchester Bank. The difficulty I found at Manchester, as indeed at most other places, was to get the leading people to put themselves forward in the head and front of the offending, against the existing Banks. An intelligent Solicitor, aware of this difficulty, made an attempt to form a Bank on the strength of his own name: the Directors to be chosen after the subscriptions were filled up; but he failed. The success, however, of these Banks having predisposed the public in favour of such institutions, he tried a second time, and

succeeded. The shares were soon taken, a respectable Direction was chosen out of the subscribers, and the Bank has been remarkably successful. It also gave rise to another at the same place, and one at Liverpool, which, I believe, have done equally well.

In the mean time, however, I turned my attention to London. The Branches of the Bank of England had not been successful, and I wrote a small pamphlet, for private circulation amongst the Directors, explaining to them the reason of this, and suggesting to them a plan by which they might be rendered profitable, and be carried to a great extent; so as to place the Bank in a situation for deriving a profit upon its large capital in competition with other establishments, by the time its monopoly should terminate; and by this means render it independent of the Government, and enable it to meet, without disadvantage, the change it must then expect. In making this proposition, I had two motives; first, I thought it might be adopted; and next, if it were not, I expected the Directors would not oppose their great influence in the City, in preventing the formation of another Bank to do what they had themselves declined; for Mr. Wilks' attempt had failed, and I intended to revive my original project. Besides which, I thought they might adopt my plan ultimately, if they did not in the first instance.

I lost a Session of Parliament, and, consequently, a year (1828) in waiting the result of this

proposition to the Directors. But, finding there was little chance of their adopting it, I next Session proposed the formation of a County Bank of England, upon the principles which the Bank had declined adopting.

The Session of 1829 was occupied with the Catholic Question so engrossingly, that I made but little progress. But after the Session was over, I travelled over the chief parts of England, appointed agents in the principal towns to circulate prospectuses of the undertaking, which was done very freely, called upon the leading people in many places, and distributed pamphlets amongst them; and in the next Session, that of 1830, I was enabled to form the following Committee, to promote the formation of the Establishment I had proposed.

The Most Noble the Marquis of Bute.

The Right Hon. the Earl of Darnley.

Lord Viscount Althorp, M.P.

W. R. Cartwright, Esq. M.P.

Sir R. Hill, Bart. M.P.

W. Hanning, Esq.

Sir E. Knatchbull, Bart. M.P.

Sir T. B. Lethbridge, Bart. M.P.

The Hon. H. T. Liddell, M.P.

T. P. Macqueen, Esq. M.P.

W. A. Mackinnon, Esq. M.P.

Sir H. Parnell, Bart. M.P.

G. R. Robinson, Esq. M.P.

T. S. Rice, Esq. M.P.

Charles Tennyson, Esq. M.P.

W. W. Whitmore, Esq. M.P.

T. Joplin, Esq.

From this Committee the following Deputation waited upon the Duke of Wellington and the Chancellor of the Exchequer, to solicit the support of the Government, and more especially to obtain an Act of Parliament, or Charter, to limit the liability of the Shareholders in the proposed undertaking.

The Earl of Darnley.

Lord Althorp.

Sir T. B. Lethbridge.

Mr. Rice.

Sir E. Knatchbull.

Mr. Tennyson.

Sir H. Parnell.

Mr. Joplin.

The Duke informed them that the Government had the subject of Banking under consideration, and would give due attention to their representations. The proper steps, however, to have taken, in the first instance, would have been to have raised the subscriptions, and then have come to the Government with a Bank in hand, and a large body of persons anxious for their own sakes and that of the public, that the institution should be carried into

effect. A Committee, so respectable, with such a constituency, could carry any useful measure they might propose, almost in spite of the Government, let alone a measure in favour of the principles, of which the Ministry were already pledged. But it appeared to be thought an undertaking, so desirable in itself, as to be entitled to the especial patronage and encouragement of the Government, at the outset, and hence, the application was made.

But the next step, of course, was to do what would probably have been better done at first—namely, to raise the capital; and a meeting was held in the City, to take steps for this purpose. But before this took place, the Session of Parliament was nearly over; and the death of the late King, followed by the change of Ministers, and the Reform Bill, have, since then, suspended the operations of the Committee, to be revived, however, after the Reform Bill has passed; and it may, of course, be presumed, under much more favourable auspices.

In the mean time, my tour through England, though it has not yet accomplished the particular object for which it was undertaken, was a great means of spreading a knowledge of the subject; and two or three Local Banks have arisen in consequence; and as all the Banks that have been formed have succeeded, they are now spreading much faster than at first.

My business arrangements, however, I may ob-

serve, by the way, did not succeed. Wherever there is any thing worth having in the way of profit, there is always a powerful competition for it; and the London Bankers having been in the habit of making the appointment which I desired, were unwilling to wave it in my favour; and I found there was no chance of the Banks making any point of their doing so. So that, excepting when personally engaged in forming an establishment, there did not appear to be the least probability of my accomplishing my object. That being the case, my own success defeated my own views; for having, in my pamphlet, divested Banking of all mystery, and the first few Banks formed having succeeded so well, further assistance from me was unnecessary. I only mention these circumstances, however, to show, that the Ministerial and Parliamentary practice of piracy, loses nothing by dissemination. For whether a person takes to himself the whole of the credit, or the whole of the profit, of which another is justly entitled to some share, it amounts to pretty much the same thing. If the one be wrong, the other cannot be right. I next, therefore, turned my attention, as has been pointed out, to the Bank of England, in the first place, and then to the Bank I am now engaged in forming.

With respect, however, to the alteration of the Bank Charter, the Act would have totally proved a dead letter, but for these exertions. I infer this

from the fact, that though the discussions in 1826, to which it gave rise, and the Report of the Committee on Scotch Banking, in that year, had called general attention to the subject, and there was hardly a town of any importance in the kingdom where an opening presented, in which an incipient project for forming a Bank was not entertained by some party or other. Yet, in no other places but those to which I personally directed my attention, or had had previous personal communication with the parties, were any formed; and it was the success of the first Banks that gave rise to those which had been subsequently established. Neither could I have done much myself without my pamphlet, of which, first and last, I have given away, at least, two thousand copies. Nor was this unnecessary on my part; for though it was the only work extant, containing the information required by those who might be desirous to form a Bank, the periodical press, as has already been observed, had hardly noticed it; and it was almost unknown. It may also be inferred with equal safety, that but for the ten or twelve years of labour which I have described, or rather sketched, (for it would take a volume, or more volumes than one, to describe the various means, all tending to the same end, employed in furthering the object I had proposed to accomplish;) there would not have been a Joint Stock Bank either in England or Ireland at this moment. And

it is even probable that the very existence of the Scotch system would not have been generally known, or, at least, in such a way as to render it at all likely to be generally adopted for some time to come.

The Act of 1826, for altering the Bank Charter, would thus have been a dead letter, but for the exertions of an individual ; which is not saying much for it. The clause, however, it may, perhaps, be observed, which might thus have rendered it inoperative, was introduced at the instance of the Bank of England, and there was no remedy for it. The Bank would not make the concession it did, upon any other terms. But this arose from the wrong principles assumed by the Government in dealing with it.

By the laws of England, the rights of an individual are as sacred as those of a body of persons. The charter by which every man holds his property, is as binding and inviolable as that of the Bank of England. It is found, however, agreeable to the interests of each individual, to permit the invasion of these rights by the community, when any general improvement is required ; on condition that he is fully compensated for the actual loss he suffers. Under this law it frequently occurs, that a person is obliged to part with property, much against his inclination, and at a price which his imagination has pictured as less than its value. But, in event of dispute, the price is left to

a Jury, who value the property, not by his estimate, but by its real worth in money. To this rule it is the interest of all to submit; for every individual is benefitting by it in a hundred instances, though he may suffer by it in one.

This rule is applicable to all—to the Bank of England as much as to the meanest individual. But the Government, in dealing with the Bank, founded their proceedings upon the assumption, that this was not the case; that the public could not take its Charter, or any part thereof from it, without its consent; and thus created a difficulty, which, according to the principles of our law, did not exist. What the law of usage, in the case prescribed was, that an Act should have been passed to permit the formation of Banks, on such principles as the Legislature thought proper; and that a clause should have been introduced, securing compensation to the Bank for any loss it might suffer from the actual formation of such Banks, to be arranged between the parties; and in event of dispute, to be left to a Jury. Now there was no reason why this principle should have been departed from. It would have worked very well in the ordinary way, or it might have been modified. But the Bank ought not to have been treated with upon any other grounds, than that Parliament was at full liberty to do as it thought proper.

It may also be observed, by the way, that the Bank was not entitled to any very great considera-

tion, as it did not itself exercise the privilege conferred upon it. I imagine, that if the East India Company did not supply the country with tea, its monopoly would thereby be forfeited. That the monopoly to supply a commodity, implies that the commodity shall be supplied. And as the Bank of England had the monopoly of Joint Stock Banking, its monopoly was surely forfeited, where it did not supply a Bank.

But at all events, it was amenable to the ordinary principles of the law, in similar cases, and there was no necessity whatever to treat the Bank of England as a body, entitled to controul Parliament in any laws it might pass for the public welfare.

The consequence of this has been, that the Banks which have been formed have been constructed on wrong principles. They are a great improvement upon private Banks ; but the credit of Banks ought always to be founded on paid up capital. Whereas, they in general have been formed with very small capitals, depending for their credit upon the personal responsibility of their shareholders ; and these are the worst description of Joint Stock Banks. When we were constructing a new system, it might as well have been done on the best principles at once.

CHAPTER XII.

Measures recommended for immediate consideration—To establish Joint Stock Banks.—To take the circulation of the Bank of England out of its hands.—To investigate facts relative to Corn and Currency.—To avoid precipitancy on the subject of the Corn Laws.

IF the principles laid down in the foregoing work be correct, there are two great measures essential to the future prosperity of this country; namely, the general introduction of the Joint Stock system of Banking, and the conversion of our paper into what it professes to be, but is not, the true representative of a metallic currency. For the principles of that system of Banking which would be most desirable, I must beg leave to refer to a pamphlet, about to be published, in support of the views entertained by the Committee, mentioned in the last Chapter, and, in explanation of the particular undertaking which they were desirous to promote.* The general rule, however, may be stated to be, that practical facility in dealing with individuals being the same, the greater the amount of capital and credit which can be applied to Banking, the better for the public.

* “ The plan of a National establishment for Country Banking, and the principles by which it is recommended.”

[Ridgway.

With the present system, also, the seeds of failure are continually germinating. We are sitting upon a volcano, the combustible elements of which are incessantly preparing, and ready to burst forth, either in small or great eruptions, as opportunities are afforded. It is unnecessary, therefore, to remark, that the sooner it is amended the better for the community ; and I think I may venture to assume, on the authority of such a Committee as has given the measure their approbation and support, that one of the most effectual means of putting the country out of all future danger, would be the establishment of the Bank, the particulars of which will be found in the pamphlet just referred to. Besides this, however, I would venture to recommend, that steps be taken to induce the present Bankers to convert their establishments into Joint Stock Companies, which I think they might easily be induced to do. But, with respect to the circulation of the Country Banks, the obvious policy is, for the reasons already stated, to let it alone, until the system has obtained more stamina.

This reason, however, does not apply to the Bank of England. There are no impediments to its circulation being immediately dealt with in any way that shall be deemed most advisable ; and it is worthy of consideration, whether it ought not to be taken out of the hands of the Bank, and placed under the administration of a Board, or department of Government, at as early a period

as such an arrangement can be conveniently carried into effect.

I have little doubt that any enquiry will show, that the late Panic was exclusively produced by the want of knowledge, and mismanagement of the Directors ; and I have as little doubt, that it would equally be found, on investigation, that all the Panics we have ever had, originated from the same cause : Though they, of course, could not have occurred, notwithstanding such mismanagement, had we possessed a proper system of banking ; and the most straight forward, and common sense mode of preventing such Panics, in future, is to introduce such a system. But the same cause, with the best system of banking, would still produce great inconvenience, pressure, and ruin in the commercial world, which ought to be prevented.

The Directors, however, are less to blame than the system. As a body, they at present consist of intelligent men. The Bank direction is an object of ambition, with intelligent as well as respectable men ; and the Directors themselves have the power given them by stock holders, of filling up vacancies. They, therefore, have the power of selecting intelligent as well as respectable men for associates, and it would be absurd to suppose that they did not exercise it. And as this has always been the case, I have little doubt that the Bank direction has always been what it is at present, as

intelligent a commercial body as is to be met with in the City.

But twenty-four men, if ever so intelligent, must govern themselves by understood general rules and principles; and there are none applicable to the London circulation. They could not adopt any course which was not defensible, or any which might not equally be proved to be wrong. In the choice of difficulties which are thus continually presented, and to which no understood rules are applicable, they are too numerous a body to exercise a sound discretion.

Besides, their interests are frequently opposed to those of the public, which ought not to be the case. Whatever is done with respect to the circulation, should be done, not with reference to any pecuniary loss or gain to be made, but with reference to the public interests alone. An importation of gold, however, is a great loss to the Bank, unless it increases its issues in a corresponding degree; and an exportation of it is a great advantage to it, if it does not contract them. Now the interests of the public always requires, as we have seen, that the Bank should neutralize, in a greater or less degree, the effect of the importations and exportations of gold, though to its own loss. But it is impossible to conceive, that having no certain guide, their interests should not influence them. The public have no right to expect that a commercial body, irresponsible to the pub-

lic, acting in secret, and whose professed object is gain, will not pursue that object. I am persuaded, that if every Panic we have ever had, were properly traced, it would be found to have arisen from the Directors pursuing their interests too far, in the first instance, and then turning suddenly round, and acting with too much precipitancy in a contrary direction.

Giving them credit, however, for not having been governed by any consideration for the interests of the Bank, and that want of knowledge was the sole cause of any blunders they may have committed, such want of knowledge is not surprising. Important principles for the government of official trusts, are seldom discovered by the official personages, whose province it is to adopt them, even though they may have no other occupation, and give their whole minds to the subject.* But the Directors have other matters of their own, of more importance to themselves, to attend to ; and except the Governor, and Deputy Governor, who are chosen by rotation, and go out of office every two years, they give but a very divided attention to the matter ; and of this we have sufficient proof in their general ignorance of the most received principles

* I refer, of course, to the past. Under a Reformed Parliament, more knowledge and talents will be necessary in the appointment of public functionaries than heretofore, without which no Ministry will be enabled to maintain itself. All its proceedings must command respect. It must lead public opinion, or it will never long preserve public confidence.

applicable to the administration of the trust reposed in them.

The best rules for their government ever laid down, was by Mr. Thornton, in his work on paper credit, published in 1802. Yet, in 1810, when the Bullion Committee examined them, respecting the views and principles by which they regulated their issues, it did not appear that, as a body, at least, they could have been aware that there was such a work in existence. And, in 1825, it is obvious, from the history of the Panic, that they were not aware of the principles applicable to their conduct at that critical period, though these principles were deduced from their own experience, and were laid down in a work so well known, and of such established authority as the Report of the Bullion Committee.

Now, if the circulation of London, instead of being in the hands of the Bank, had been in those of a responsible Board, it may easily be perceived, that, at least, all the known principles, relative to the conduct to be pursued in its management, would have been familiar to such a body.

Besides this, if there is any public trust, or administration, in which publicity is more necessary than another, it is in that of the circulation of London. To the Bank itself, its operations are comparatively unimportant. But, to the banking, and the commercial, and manufacturing world, they are of the utmost consequence. And not only ought the importations and exportations of gold,

and the conduct actually pursued with regard to the Bank Note circulation, in consequence, to be known from week to week ; but the future intentions, with respect to the note circulation, ought to be made known to the Bankers and the Public also, as soon as determined upon, in order that they may have time for preparation to meet any great changes that may be deemed necessary. Had the Bankers, previously to the panic, generally known that the Bank were contracting, and did intend to contract their issues to so great an extent, they would have been better enabled to have prepared for it. But, as it was, they were taken by surprise. The sudden contraction of issues by the Bank, was made twice as bad as it would otherwise have been by the secrecy which was observed ; and for which there was not the least necessity. The only effect of such secrecy is, to hide the ignorance of the Directors and Ministers, while it prevents their obtaining knowledge. It is impossible to conceive that we should have been so much in the dark as we are at the present moment, with respect to the nature and properties of our currency generally, and of the London circulation in particular, had the facts connected with it been known for the last fifty years to the public at large.

Nor would it be necessary for such a Board to issue the circulation in discounting commercial Bills. Circulation ought to have no connec-

tion with the fluctuating demand of Merchants for incipient capital. They would, of course, enlarge or contract it, when it was deemed necessary by the purchase and sale of Government securities.

In short, the circulation of London is a great public trust, at present in the hands of an irresponsible body; whose interests are opposed to the right administration of that trust; who could not manage it properly if they would; and who, in their management of it, have produced the greatest calamities to the country. And if the nation should be so foolish as to continue the system, it will have deserved what it has suffered from it.

This might be said, if no other change were made, than that of taking the circulation of London from the Bank, and placing it with a Board. But I only venture to recommend this step as preliminary to taking all controul over the currency out of every hands but that of Parliament, and reducing it to the self regulating system which I have proposed.* In effecting this change, however, the sooner the consideration of a department of Government be given to the subject, the better chance there will be of its not being

* Many intelligent men think, that the circulation of London should be thrown open to competition; but if this were done, it would bring about a Panic every three or four years. The Banks, in that case, would have no rule but their own immediate interests; and these interests, as we have seen, would always be at variance with those of the public.

mismanaged. And Banking and Currency are matters so important, as to render it a matter of regret that they were not long since made objects of more exclusive attention than they have been.

The first duty of such a Board, however, would be publicity, for the best views of Government are always obtained from individuals; and this publicity should not only be given to every thing that regards the London, but the country circulation also, as far as can be done without producing Panic or embarrassment amongst the Country Banks. And it appears to me, that monthly returns might be furnished to such a Board, and published without any danger or inconvenience.

Indeed, it is quite surprising, that some such account should not have been furnished long since, when we consider the discussions we have had upon the subject of currency, and the importance of just views upon it.

The greater the number of well authenticated facts that can be brought to bear upon any question, the greater will be the number of minds within whose range it will be brought. If, indeed, a person gets hold of a right principle, and has acuteness enough to discriminate between facts which are an exception, and those which support the rule, the known facts, though they be but meagre, will generally support his conclusions. But few people, like Sir Isaac Newton, can discover his way to an important principle by the falling of an apple. The only safe way for a

nation is to multiply facts, in order to escape error: for many can detect errors who could not discover the truths. To prevent errors, however, is an important step towards the discovery of truth. It prepares the way for it, by preventing plausible error from occupying its place.

It is, indeed, somewhat extraordinary, that we should so long have allowed a number of commercial establishments to issue money, by which the value of all the property in the kingdom is determined, and never have called upon them for an account of their issues.

But the importance of obtaining an accurate account of the Country Bank circulation, does not appear, at any time, to have been very strongly impressed upon the mind of the Government.

The returns from the Stamp Office furnish a kind of light, though hardly more than sufficient to render darkness visible. But this light has been very unaccountably rendered obscurer than necessary. In 1808, a regulation was adopted, that Notes of £5. and upwards, were not to be issued longer than three years. From this, some idea of the circulation might be formed at any given time, by adding together the value in Notes which the stamps obtained from the Stamp Office, in the three years last past, would make. But, notwithstanding the Bullion Committee had, in the mean time, demonstrated the necessity of information on the subject, this rule in 1815 was abandoned, and no limit, but the durability of the Note

placed upon its circulation. Since then, the nation, having been agitated to convulsion on the subject of currency, the Ministers appear to have arrived at the conclusion, either that a better or a worse mode of ascertaining the amount of the country circulation would be desirable; and they, therefore, passed an Act, to enable Bankers to compound for their circulation at seven shillings per cent. upon the amount. The true intention of this might be, to get more information: for it was not to obtain more revenue: the Bankers not being compelled to adopt it, unless they found it their interest to do so. But the real effect, I have no doubt, has been just the reverse of this. Either one system or the other would have furnished some data. But the confounding of both, must have destroyed all whatever. And this the more especially, if the Banks have been allowed to compound, under one head, for Bills of Exchange as well as Bank Notes, and thus mix them together, which I suspect to be the case, though I have never made particular enquiries on the subject.

But if even more light, instead of less, had been thrown upon the subject, there is no necessity to arrive at such important facts, in so indirect and obscure a manner. Nothing, it is certain, but a more vigorous and comprehensive mode of arriving at facts, than has hitherto been adopted, will ever bring us out of the mystery in which

this subject has been obscured, owing, in a great degree, to the secrecy in which it has been so unnecessarily enveloped.

The same observation may also be made with respect to the price of corn. When one half the nation was in a state of ruin, in consequence of a fall in the price of it, and it was impossible to determine what was to be done, because one party said, the fall proceeded from too much corn, and another, because it proceeded from too little money. Common sense might appear to have suggested, that the best way to settle the dispute would have been, to have ascertained how much more corn we had, and how much less money. There can be little doubt that there were Farmers enough in this country, that could have given the amount of their crops for twenty years back, much less for four or five, sufficiently to have enabled a very fair general average of the crop of each year to be struck ; and that the Bankers could have done so, with regard to the circulation, there can be no doubt. But this simple way of dealing with the difficulty, was not entertained.*

I would now, however, venture to suggest, in order to end all disputes on those subjects in

* The Agricultural Committee of 1821 did make a feeble attempt to arrive at information as to the crops. But they appeared much more disposed to catch at theories than to come at facts, and were any thing but happy in the information they obtained, or the use they made of it.

future, as well as for other reasons, that this Board (should such a one be established,) be authorized to obtain an annual account of all the corn produced. A family who must be well or ill fed in the ensuing year, according to the supply received at a particular season, and who, if ill supplied, must endeavour to make up the deficiency by purchasing more from a distance, would unquestionably endeavour to form some correct judgment as to the amount of that supply, by which its conduct must be governed ; and why should a number of families composing a nation, not do the same thing ? It might be easily done. A square yard, or some such amount, might be accurately taken, with proper judgment, out of every five acres ; or, if necessary, out of every acre in a district. By this, the average number of bushels per acre, of each district, could be ascertained ; and, of course, by multiplying the number of acres in the district by the bushels per acre, the total produce would be also obtained, as also the weight and quality. These results might be published in the Gazette, as they were obtained from each district, and before Christmas, the total amount of the crops would be known, and could also be published. I have no doubt, that intelligent agriculturists could likewise point out an easy method of arriving at some general idea of the production of meat ; and that, upon the whole, after two or three years experience, any

Board might obtain very accurate accounts of this description.

Nor would such an account be an expensive one, though I do not think that the information would be dearly bought, if a large sum were given for it. But two intelligent Farmers, in each district, would have great pleasure in taking it for nothing, or on payment of their expenses : and the corn thus obtained, except what might be sent up to London, by which to strike the general average of the kingdom, might be sold. It would produce four times its real worth, for samples only ; and the proceeds might go to diminish the County Rates, or any other rate that fell upon the Farmer. In short, it is surprising that such an account has not before been obtained ; for half the speculations on the subject of Corn Laws, are based upon false assumptions with respect to the supply. Yet the temporal happiness, and comforts of millions, depends upon our forming right conclusions on these subjects.

I venture to make these remarks, because corn and currency are so intimately connected and interwoven with each other, that they cannot be separated.

When, therefore, I first turned my attention to the currency, I found it necessary to investigate the effects of Corn Laws, and I was led to form very different conclusions to any which had been previously entertained upon the subject ; and I trust

they will be found to reconcile many difficulties. They have already been somewhat imperfectly delineated in different publications,* and, I believe, so far as understood, were adopted by the late Ministers. Sooner, or later, however, I shall, in a work which will form a second part to this one, take up the subject more at length.

In the mean time, I shall venture shortly to observe, that I concur with those who consider that the luxuries of the rich ought not to be put in competition with the comforts of the poor ; and that Corn Laws, as they affect the supply of corn we obtain from abroad, ought to be regulated solely with reference to the interests of the poor. But looking to the interests of the poor, exclusively, I am a friend to Corn Laws. It appears to me, that to the labouring classes the average price of corn is of no importance, because the price is determined by the quantity of money the labouring classes have to give for it: that the average price of corn cannot rise, without the average amount of money paid for labour has previously risen. Neither do I think an average increase of supply would be any benefit to the labouring classes : for the principle of population treads so fast upon the heels of supply, that any increase in the average supply would soon produce a corresponding increase of population ; and the labouring classes, notwithstanding

* But more particularly in " Views on Currency."

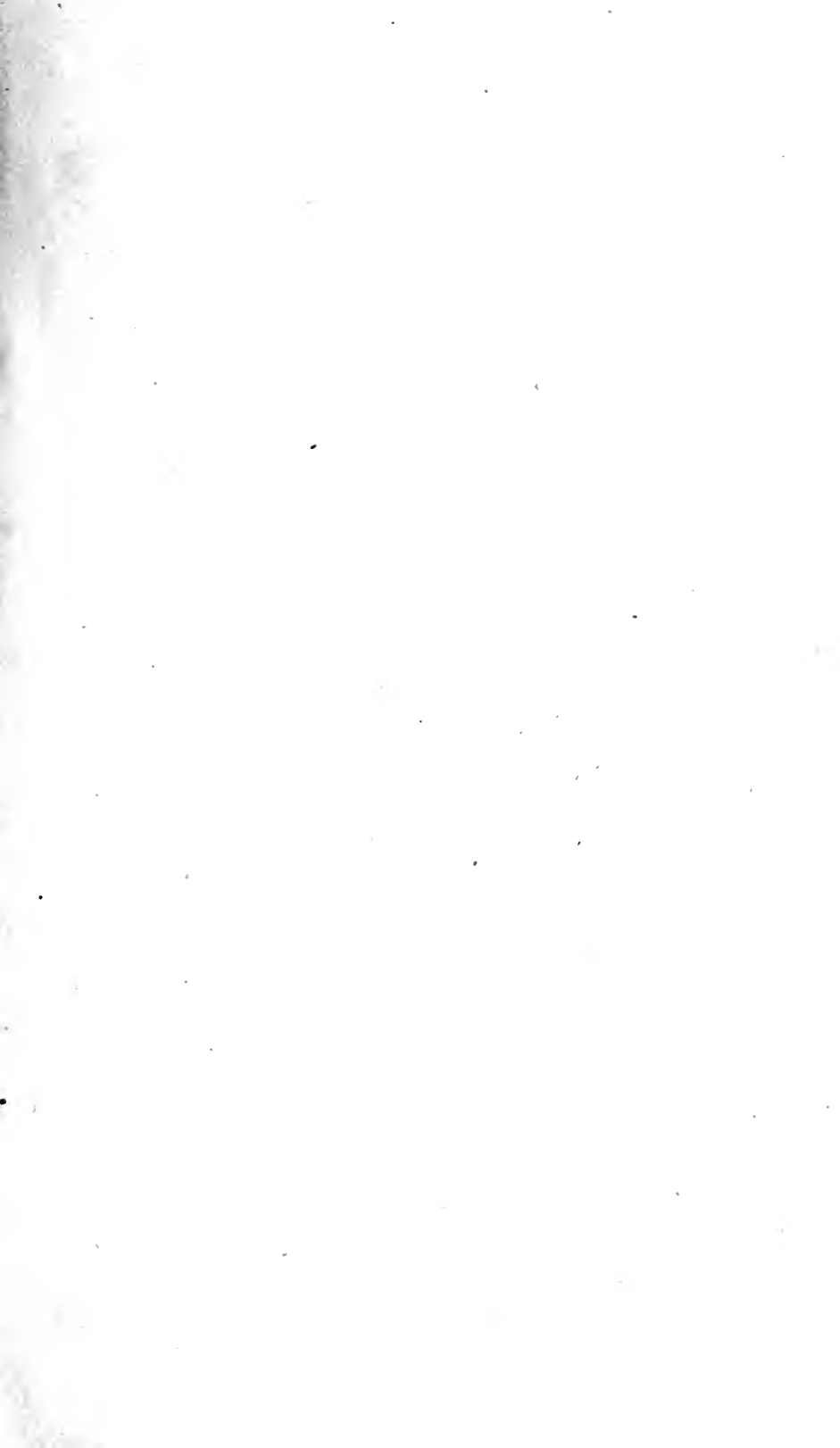
such increase of supply, would soon be in the same state as before. The true way to benefit the poor, as appears to me, is to secure a steady supply ; and to this purpose, I think, Corn Laws may be rendered subservient, but that a free trade in corn could not. That the best dependence for the English labourer, is the land he lives in. That the vicissitudes of the seasons, subdued by art, are less with us than with other countries ; and that we have only to regulate the importations of corn with the same degree of knowledge and judgment that we grow it, in order to diminish the effect of these vicissitudes still further. In short, I consider the advocates of a free trade in corn, wrong in every thing but the goodness of their intentions.

A free trade in corn would also affect the value of money ; and should it ever be adopted, it will still have to be considered whether the legal value of money should not also be accommodated to the change—that should the real value of the coin be increased, on the one hand, whether a corresponding legal depreciation of it should not take place, on the other, so as to keep the sovereign at the same value in commodities as before. This would not affect the labourer, and would prevent that change in contracts, and that great increase in the real amount of the National Debt, which a free trade in corn would effect.

Thus the question of the Corn Laws is not one relating merely to a supply of food, but is a

currency question also, and this renders it more complicated. And it is to be hoped that no steps will precipitately be adopted by the new Parliament respecting these laws, but that the subject will be first thoroughly investigated. An opinion I express, not only with reference to the general interest of the nation; but with reference to the good of that class, whose interests, upon every humane view of the subject, ought to be first considered.

THE END.



**University of Toronto
Library**

**DO NOT
REMOVE
THE
CARD
FROM
THIS
POCKET**

**Acme Library Card Pocket
LOWE-MARTIN CO. LIMITED**

